PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

GOVERNOR'S CENTER FOR LOCAL GOVERNMENT SERVICES

MUNICIPALITIES FINANCIAL RECOVERY ACT

(Act 47 of 1987, as amended)

EVALUATION OF DESIGNATION OF DISTRESSED STATUS UNDER ACT 47

CITY OF CLAIRTON

(Allegheny County)

Prepared by:

Michael Foreman
Local Government Policy Specialist/Act 47 Coordinator
Department of Community & Economic Development
Governor's Center for Local Government Services
301 Fifth Avenue, Suite 250
Pittsburgh, PA 15222
412 565-5199
mforeman@pa.gov

September 2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The City of Clairton, Allegheny County was declared a distressed municipality January 19, 1988 by the then Department of Community Affairs based on the determination that two of thirteen factors cited in Act 47 of 1987, as amended were found to exist: Criteria 4: The municipality has missed a payroll for thirty days; and Criteria 11: The municipality has experienced a decrease in the 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. Further, based on an evaluation of the City's fiscal position the following factors that led to the distress determination were identified:

- Tax base erosion;
- Reduction in municipal services;
- Pension Liabilities;
- Recurring budget deficits; and
- Deteriorating demographic and socio-economic conditions.

An original recovery plan and a series of recovery plan amendments were adopted by Clairton City Council over a twenty-seven year period to not only build managerial and administrative capacity and restore the tax base but to also institute improvements in the financial management and service delivery system of the City to restore fiscal integrity. The City began implementation of its council-manager form of government under a home rule charter in 1990 that was adopted by the voters in 1988. In 2009 the charter was amended to increase the rate cap of the local earned income tax to 2% from .5% to provide the City greater taxing authority and revenue generating options.

Over the course of the recovery plan period the City utilized the extraordinary taxing power authorized under Act 47 of 1987, as amended with annual Court of Common Pleas approval. The earned income tax rate on residents and non-residents was increased to provide revenue until the City was able to strengthen its tax base, revenue flow, staff complement and service delivery system including the reestablishment of the local police department in 1992. For the prior seven-year period the PA State Police provided police protection. In addition, the City successfully eliminated the higher earned income tax rate levied over a period of years. The higher rate on non-residents was eliminated in 2001 and the higher rate for residents was eliminated in 2006. The City is currently utilizing a higher earned income tax rate for residents under authority of its home rule charter. It is no longer imposing a higher rate under Act 47 of 1987, as amended and has ended its dependency on a nonrecurring source of revenue.

After reviewing and analyzing all of the pertinent information and data available, the Act 47 Coordinator concludes that the factors that originally led to the designation of distress in 1988 in the City of Clairton have been alleviated. The City of Clairton has successfully implemented recommendations in its various recovery plans. The breadth of recovery plan recommendations has included Organization, Structure, Administration and Financial Management; Municipal Service Delivery System; Workforce and Collective Bargaining; and Community and Economic Development and Transportation. In implementing the recommendations, the City has established a solid foundation from which positive projections of future year-end fund balances are adequate to serve as a reserve or contingency for both general fund purposes and capital reserve needs.

One key series of recommendations in its various recovery plans dealt with changes in future collective bargaining agreements through negotiations with the unions that would result in cost containment of expenditure growth. Wages, fringe benefits, paid time-off and pension benefits were all addressed in negotiations in each of the collective bargaining agreements to contain costs and contribute to the overall ability of the City to rebuild its tax base and service delivery system as well as right size the organization based on City demographics and available resources.

Various factors have had a positive effect on the continuing improvement of the City's financial condition and position since implementation of the original recovery plan started in 1988. As revenue collections increased and expenditures were contained especially during the last few years, the City has been able to address aggressive delinquent tax and fee collection efforts, deferred maintenance, hiring of additional part-time employees upon retirement of long-term, full-time employees, purchase of capital equipment and vehicles and capital improvements on roads and facilities.

The City receives a payment of $407,737/year from the Clairton Municipal Authority over a twenty-five year period from the proceeds of the sale of the sewer system to the Authority in 2012. These funds are placed in the general fund and transferred to the capital reserve fund at the end of each fiscal year because the monies are not needed in the general fund. Normally the annual allocation is transferred to the capital reserve fund at the end of a fiscal year because the monies are not needed in the general fund. Receipt of other sources of revenue provide sufficient cash flow to provide a sustainable operating budget. In addition, the City continues to receive more Local Services and Business Privilege tax monies than budgeted as a result of contractor work being done at the USX Corp. Clairton Coke Works plant on environmental remediation and productivity improvements.

Year-end fund balances over the past four years in the general fund have provided the City with sufficient cash flow to not only negate the need for a tax anticipation note at the beginning of the subsequent fiscal year but to also provide funds to transfer into the capital reserve fund. A portion of these funds are used to demolish blighted, abandoned and tax delinquent properties as part of the overall strategy of the City to turn idle properties into productive and taxpaying use again. This is in addition to the Community Development Block Grant (CDBG) funds the City receives to carry out improvement projects in low-to-moderate income areas of Clairton, most of which goes toward demolition of properties and road improvements.

Revenue has also increased as a result of the Allegheny County property reassessment process effective January 2013. In effect, the City's taxable property in 2012, the year before the new assessment figures went into effect, was $117,594,250. In 2014 after almost all of the property assessment appeals were heard and resolved and a year after the new values went into effect, the total amount of taxable property was $144,119,671 or an increase of $26,525,421 or 18%. The total amount of taxable property in 2015 is $148,092,607 or an increase of $3,972,936 or 3% over 2014. The growth in the City's tax base is another positive indication that the conditions that led to distress have been eliminated.

Along with a reduction in the millage rate to comply with the anti-windfall provisions of the county assessment law in 2013, the first year of the new assessment figures, current real estate tax collections have remained steady.

Delinquent collections have increased over the past few years as a result of the City's stepped-up effort to collect delinquent taxes and fees.

The City has ended its dependency on use of a higher earned income tax rate on residents and non-residents under authority of Act 47 and is currently levying a 1% rate on residents only under authority of its own home rule charter. This is a major accomplishment and a key factor in the City's ability to be in a position to exit the Act 47 program. Another contributory factor includes the changes in year-end fund balance in the general fund. For years 2011 – 2013 the City experienced the highest year-end fund balance position ever since the City entered the Act 47 program. One additional factor to consider is the revenue/expenditure trends over the past few years. Since 2010, revenue in the annual general fund budget exceeded expenditures by a range of $38,457 in 2010 to $2,137,077 in 2013 or an increase of $2,098,620 or over 500%. Future budgetary projections indicate a realistic balanced budget in future years based on the assumption that the revenue base and level of expenditures will remain about the same as in 2014. The difference between revenues and expenditures in the general fund is $368,223 for 2014.

The factors that led to the determination of distress in 1988 have been alleviated. The City has not missed a payroll since entering the Act 47 program in 1988 and has increased the level of municipal services through the reestablishment of a local police department in 1992 after a seven-year hiatus of using PA State Police for coverage because of an inability to afford the cost of local police. In addition, the City prior to entering the Act 47 program failed to comply with funding requirements established in Act 205 of 1984, as amended for its fire and police pension plans. DCED provided the City with an Act 47 long-term loan of $285,000 in 1990 to fulfill its funding requirements for the fire pension plan. The City subsequently paid back this loan (1990) and an operating loan received in 1988 ($681,809) in full in the amount of $966,809 to DCED timely.

The City upon entering the Act 47 program had large unfunded accrued actuarial liabilities in the police and fire pension plans in the aggregate amount of approximately $4 million. Clairton has made timely and required payments on its pension obligations. Pension plan funding is supported by state aid, local minimum municipal obligation payments from the general fund, employee contributions and investment income. The City continues to make timely and required payments to the respective pension plans as appropriate.

The Act 47 Coordinator is recommending the City of Clairton exit the Act 47 program through a termination of the distress designation. Current monthly reports and recent annual audits indicate the City is demonstrating sound financial management practices, is on stable financial footing and that all operating fund deficits have been eliminated. Clairton continues to operate with a budget surplus and by all indications this is expected to continue into the foreseeable future. Monies are transferred to a capital reserve fund and employee benefits fund (payment of unused paid time-off to employee upon separation; temporary disability pay benefit for employees hurt with non-work related injury and unable to work). The City also continues to be current and timely on the payment of monthly bills, pension plan minimum municipal obligation payments and debt service obligations.

The City has established a budget reserve fund for contingencies to use as a source of funding for a local cash match for grants and for the purpose of paying bills in the first and last few months of the fiscal year when cash flow is low.

In compliance with Section 255.1 of Act 47 of 1987, as amended (Termination of status) it is the opinion of the Act 47 Coordinator that the conditions that led to the initial designation of distress status of the City of Clairton have been alleviated. Moreover, the City should have its distress designation terminated because the policy objectives of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) have been met. Section 102 (a) of Act 47 of 1987, as amended states the policy: “It is hereby declared to be a public policy of the Commonwealth to foster fiscal integrity of municipalities so that they 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 the proper accounting procedures, budgeting and taxing practices.”

While not all problems confronting the City have been totally alleviated, for purposes of this report, Clairton currently has more consistent and reliable sources of revenue streams to support more realistic and appropriate service levels. Managerial improvements now allow the City to strategically avoid those factors which led to the distress designation originally to not repeat them in the future. Property values appear to have stabilized now that almost all tax assessment appeals have concluded from the new 2013 assessed values, including the USX Corp. assessment appeal.

Revenue generated from work being done at the USX Corp. Coke Works plant appears to be sufficient to maintain a revitalized tax base and increases in collections from the consolidated earned income tax collection system are expected to continue. The infusion of annual funds from the sale of the City's sewer system to the Clairton Municipal Authority for $9.7 million with payments of $407,737/year through 2037 is another example of a stabilized and sustainable tax base going forward.

The City of Clairton must remain committed to continuing to provide the political and managerial leadership to address these issues and maintain fiscal viability in the future. As an indication of the progress made to date relative to the 2015 annual operating budget, the Act 47 Coordinator recommends the City maintain its tax rates, employee complement levels and service delivery systems as currently provided.

INTRODUCTION

This evaluation report will review the Act 47 status of the recovery plan efforts of the City of Clairton and will reach a conclusion as to whether the City should remain as a designated distressed municipality or whether the conditions that led to the initial determination of financial distress in the City have been alleviated. The evaluation report is being undertaken pursuant to the Municipalities Financial Recovery Act (MFRA), Act 47 of 1987 as amended and consists of the following components:

- Background on the City's involvement in the Municipalities Financial Recovery Act Program.
- Review of the financial trends and current financial position of the City to determine whether the conditions that led to the determination of fiscal distress have been alleviated.
- Recommendations as to terminating the Act 47 distress designation supported by an analysis.
- Review of the recommendations of the Recovery Plan and amendments and progress made through the date of this evaluation report.
- Continuing recommendations to ensure the City will maintain its current level of financial stability.

SECTION 1

Background on Act 47 Status Distress Determination

On October 27, 1987 the City of Clairton formally requested that the then Pennsylvania Department of Community Affairs (DCA) determine whether the City met the criteria to be designated a distressed municipality under Act 47. A Consultative Evaluation into the financial condition of the City was undertaken and completed and presented at a public hearing held on December 22, 1987. The results of that Evaluation recommended that the City be designated as a distressed municipality based upon the following criteria as established in Act 47 that were found to be present at the time:

4. The municipality has missed a payroll for thirty days.

11. The municipality 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.

The Evaluation Report concluded that six major factors formed the basis for arriving at this conclusion:

1. Substantial revenue erosion by every major tax source.
2. Reduced service levels in the municipality and changes in staff complement.
3. Socio-economic factors contributing to distress.
4. Severely underfunded municipal pension systems.
5. Recurring budget deficits.
6. Cash flow problems and current payables position.

Section 102 of Act 47 of 1987, as amended states that "It is hereby declared to be a public policy of the Commonwealth to foster fiscal integrity of municipalities so that they may 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." Therefore, the

Evaluation Report in 1987 concluded that the City had exhibited conditions that prevented it from fulfilling its responsibilities and thus should be designated a financially distressed municipality under Act 47 of 1987, as amended.

RECOVERY PLAN

On January 19, 1988 the City of Clairton was declared a distressed municipality and the PA Economy League under the auspices of the then DCA was appointed the Recovery Plan Coordinator to develop a recovery plan for the City for 1988-1990.

A recovery plan was filed with the City of Clairton in June 1988. The Plan Coordinator then held a public hearing with City Council and interested citizens to present and discuss the plan in detail on July 11, 1988. As a result of the public hearing and in response to testimony received from the various speakers at the public hearing, the Coordinator further evaluated the plan recommendations. As provided under Act 47 of 1987, as amended, the Plan Coordinator made revisions to the plan and filed a revised recovery plan that was subsequently adopted by City Council on July 25, 1988.

In January 1989, the then Pennsylvania DCA appointed Michael Foreman, southwest regional office staff member and Municipal Finance Consultant as Plan Coordinator. Mr. Foreman continued in his role as Coordinator under the subsequent creation of the Pennsylvania Department of Community and Economic Development (DCED) overseeing and monitoring the implementation of the City's adopted recovery plans.

The initial recovery plan went through a series of reevaluation and amendments in years 1991, 1994, 1997, 2002, 2004 and 2007 respectively resulting in finding that the conditions which led to distress had not been alleviated and provided for the continuation of existing and updated recovery plan recommendations to ensure Clairton continued to move forward toward financial stability and solvency to a point where the City could exit the Act 47 program.

This report provides an evaluation of whether the City's distress determination designation under the Municipalities Financial Recovery Act (MFRA) should be terminated. Section 255.1 (c) of Act 47 addresses the factors the Secretary of the

DCED is to consider. The four factors to consider in determining whether there should be a termination of distress status are listed below. If the Secretary concludes that substantial evidence supports an affirmative determination for each of the following factors, the determination shall be that distressed status will be terminated. The Secretary shall consider whether:

1. Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act.
2. Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.
3. The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.
4. The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after a termination of distress.

In addition, this report provides an evaluation of whether the distress designation should be terminated based upon an examination of whether the City has met the Policy Statement of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) as stated in the Act in Section 102 (a):

Policy – "It is hereby declared to be a public policy of the Commonwealth to foster fiscal integrity of municipalities so that they 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 purpose of this reevaluation is to assess the financial position/condition and management practices of the City during the recovery plan period and determine whether the factors that led to the distress designation are still present. Since the initial implementation of the recovery plan and subsequent amendments to the plan, the City has made a concerted effort to implement recommendations. The City was able to use the higher taxing authority authorized by Act 47 to increase the earned income tax to provide additional operating revenue in the initial years of its recovery. This allowed the City to eliminate its deficit and achieve a positive fund balance. The City now has the ability to increase the earned income tax rate on residents through a voter approved referendum in 2009 that amended the City's home rule charter to expand its taxing power.

Ongoing environmental and plant production improvements at the USX Corp. Clairton Coke Works facility has provided the City with an additional infusion of revenue that has allowed the City to increase not only the unappropriated fund balance in its general fund but also the capital reserve fund that currently allows the City to address infrastructure, demolition of abandoned and blighted structures and other capital plant needs like vehicle, equipment and facility upgrades that have been deferred until recently because of a lack of funds. In addition, the City is receiving an annual payment of $407,737 over a 25 year period from the Clairton Municipal Authority as a result of the City's sale of the sewer system for $9.7 million in 2013. The sale proceeds are being used to underwrite operating costs in the general fund.

In 2001 the City was able to eliminate the higher non-resident earned income tax rate. In 2007, the City was able to eliminate the higher EIT on residents. As a result of the successful 2009 voter referendum to amend the City's home rule charter to allow for a higher rate cap on the earned income tax of residents, the City increased the rate to 1.0 % in 2010. It has remained at that rate since then.

The following section of this report will review the recommendations made in the plan amendments and discuss their status and make recommendations on any future actions that may be necessary or appropriate. Many of the recommendations have been completed and the City has implemented a variety of recommendations on an ongoing basis.

SECTION 2

Status of Plan Recommendations

Plan Recommendations

After reviewing and analyzing all of the pertinent information and data available, the Coordinator concludes that the factors that originally led to a distress determination in the City of Clairton have been alleviated. The City has taken action to implement a majority of the recommendations of the original and subsequent amendments. In implementing the recommendations of its recovery plans, the City has established a solid foundation from which positive projections of future fund balances are adequate to act as a reserve or contingency for both general fund purposes and capital reserve needs.

DCED provided financial assistance to the City as part of the Act 47 recovery process in the form of a number of grants and loans. Loans were provided to initially address outstanding obligations critical for the health, safety and welfare of residents. Grants were provided both initially and during the recovery process to facilitate the implementation of recommendations that increased managerial and administrative capacity; improved and enhanced service delivery; and increased planning, land use and community and economic development activities in an effort to strengthen and stabilize the tax base of the City.

During the development of the initial recovery plan the City indicated the need for a loan to fund outstanding payables and to fund unmet outstanding pension plan obligations. It also requested a variety of grants to fund general government, police, economic development, land use/planning and capacity building initiatives throughout the recovery process. The grants included in the recovery plans were necessary to adequately address the implementation of several recommendations. In addition, the grants and loans were necessary to improve and enhance the minimal service delivery level provided to residents. A breakdown of the loans and grants provided include the following:

DCED Financial Assistance (Original Recovery Plan)	Amount	Purpose	Year
Loan	$681,809	Deficit/Operating Costs	1988
Loan	$285,000	Delinquent Fire Pension Plan Obligation	1990
Grant	$ 50,000	Comprehensive Redevelopment Plan	1989
Grant	$ 8,000	Codify Zoning & Development Ordinances	1990
DCED Financial Assistance (Recovery Plan Amendments)			
Grant	$ 25,000	Shared Economic Development Planner	1991
Grant	$ 4,700	Ordinance Codification	1991
Grant	$ 70,000	Capacity Building (LGA) & Tax Collection Study	1991
Grant	$ 25,000	Continuation of Shared Economic Development Planner	1993
Grant	$ 5,500	Comprehensive Plan	1993
Grant	$ 48,752	Police Software (TUPPER)	1997

Grant	$115,000	Capacity Building (LGA)	1999
Grant	$130,000	Capacity Building (LGA)	2001
Grant	$140,000	Capacity Building (LGA)	2004
Grant	$141,848	Capacity Building (LGA)	2008
Grant	$ 50,000	Comprehensive Plan Update	2011
Grant	$ 25,200	Zoning Ordinance Update	2014

GOVERNMENT OF THE CITY

Organization, Structure, Administration & Financial Management

The City of Clairton adopted its original recovery plan in July 1988 and at the time was operating under the Third Class City Code. Under the Code, the City was governed by a five-member Council with four members elected at-large and the Mayor being the fifth member. Each member of Council served as a department head administering one respective area of operations with the Mayor overseeing the police department. Collectively, City Council established policy and enacted legislation as the decision-making body.

To carry out the management and administrative policies and responsibilities of the City under the Third Class City Code, Council appoints:

1. City Clerk
2. Department Heads
3. City Solicitor
4. City Engineer

Other offices which are separately elected are:

1. City Treasurer who has the primary responsibility for collecting city and school district real estate taxes;
2. City Controller who has the primary responsibility for examining and auditing all financial transactions and preparing an annual audit report for Council as well as authorizing all disbursements.

Prior to the City's request to the then DCA to determine whether it should be designated a distressed municipality, a home rule government study commission was elected in 1987 to study the existing form of government and recommend whether a change in the form of government should be put before the voters in a referendum. The study commission rendered its report and the voters of the City approved a Home Rule Charter that adopted a council-manager form of government in April 1988. The provisions of the charter were effective as of January 1990.

Under the Clairton Home Rule Charter the Office of Mayor is retained with the Mayor serving as the presiding officer of Council. Members of Council are elected by district while the Mayor is elected at-large. Responsibility for establishing City policies and enacting legislation is vested in City Council. Further, City Council appoints a Manager (position of City Clerk is abolished) and approves the Manager's appointment of individuals to certain management positions such as police chief, finance officer including tax collector, public works director and code enforcement officer. Council is also responsible for selecting the Solicitor and independent auditor. (The position of elected Controller was abolished).

The administration of the City's affairs is assigned to the City Manager who serves at the pleasure of Council. Among the primary responsibilities assigned to the Manager are:

1. Administration of the fiscal affairs of the City including budget preparation, accounting, tax collection (office of elected City Treasurer was abolished), advising Council on fiscal condition and similar related activities;
2. Appointment of key management personnel with the advice and consent of Council;
3. Administration of the personnel system;

4. Supervision of the administrative units of the City as otherwise provided by the Charter.

The Home Rule Charter prohibits City Council and the Mayor from becoming involved in the administration of the City except for the purpose of official inquiry.

The City Home Rule Charter contains important policy directives and limitations which affect the management and administration of City affairs. Included among these mandates are:

1. Process for developing and approving the annual operating budget;
2. Requirement that a five-year capital plan be prepared;
3. Powers and duties of the independent auditor;
4. Requirements governing the deposit and accounting of municipal revenues;
5. Instructions that Council establish a system of competitive bidding and the Manager establish a purchasing system;
6. Development of a personnel system in accord with principles established by the Charter;
7. Creation of a Personnel Board to handle appeals from employees who have been suspended, demoted, terminated, etc., except those represented by bargaining units (Council appoints members);
8. Creation of a Human Needs and Resources Board to advise on matters affecting human services programs (Council appoints members);
9. Development of an Administrative Code by January 1991 defining the services and organizational structure of the City.

The Charter also imposes a limitation on taxation. No tax can be levied on any object nor can any tax be levied at a rate higher than that permitted by the Third Class City Code as of February 1988. The rate limit allows for additional millage imposed with annual Court approval of up to five (5) mills.

One of the key recommendations contained in the original recovery plan adopted after the approval of the City's Home Rule Charter was to implement the Manager section of the Charter as soon as possible – the appointment of a professional and qualified Manager as required in the Charter to improve the managerial and administrative capacity of the City in the implementation of the recovery plan recommendations and related activities.

The first Manager was appointed pursuant to the Home Rule Charter in January 1990. This individual possessed prior municipal management and administrative experience. The Manager established an Administrative Code adopted by Council outlining the services and organizational structure of the City under the Home Rule Charter. The Manager, with Council consent, appointed a finance director as well as facilitated the transition to an appointed real estate tax collector through the Office of Finance. In addition, the Manager upgraded the City's computerized financial management system with the purchase of new hardware/software for budgeting, accounting, purchasing, payroll and tax/fee collection activities as well as established a purchasing system and policies/procedures.

The Manager also oversaw the codification of ordinances, production of a redevelopment plan, development of a comprehensive plan and zoning and development ordinance regulations and began to adequately fund City police and firefighter pension plans to meet unfunded accrued actuarial liabilities while simultaneously putting in place the Personnel Board, Human Needs and Resources Board required under the Home Rule Charter. After an approximately three-year stint as Manager, City Council appointed the existing Finance Director as Manager. This individual had served in that function for approximately two years. He subsequently appointed a new Director of Finance. Throughout the recovery process City Council appointed eight managers over a 26 year period and the Manager appointed five finance directors over the same period of time.

Other management level recommendations implemented dealt with the City pursuing intergovernmental cooperation/shared services initiatives. Examples include Clairton being part of a regional enterprise zone with the cities of McKeesport and Duquesne to foster industrial/manufacturing/commercial development and growth in the three communities; participation in the shared code enforcement officer program through the Steel Valley COG, though it disbanded several years ago; participation in the former Tool Box Program through the Allegheny County, Department of Economic Development with other municipalities to foster housing rehabilitation efforts and community development projects to rebuild the tax base; and a shared economic development planner project in conjunction with West-to-West Coalition to foster economic development and reuse of former industrial sites in Clairton.

The City continues the practice of selling all surplus and inoperative vehicles/equipment and other items no longer needed through a sealed competitive bid process.

Clairton normally has a summer intern to work on project specific activities to supplement the current management staff. Examples of projects undertaken over the past several years include building a database of blighted, abandoned tax-delinquent properties and their status as part of the City's overall strategy to move the properties back onto the tax roll (e.g., City Treasurer's sale, vacant property program, demolition, owner rehabilitation, eminent domain through City Redevelopment Authority).

Over the recovery period, the City has from time to time upgraded its financial management computer hardware/software system. Originally deploying MUNIS software for financial management functions such as accounting, budgeting, purchasing, payroll and tax/fee billing/collection, the City went through a series of updates with MUNIS software. However for a period of time no upgrades were done and the hardware/software system became not only expensive to maintain but obsolete. The City upgraded its computer system for financial management functions in 2013 and improved its financial reporting and recordkeeping practices, updated databases of taxpayers as well as reduced staff in the Finance Office through attrition.

Both elected and appointed officials of the City enroll in DCED and LGA sponsored training classes aimed at improving not only policy and decision-making processes but also enhancing the technical skills of employees in the performance of their respective jobs.

The City adopted the Municipal Records Act provisions relative to the retention and disposition of municipal records and disposes of such records from time to time when the retention period expires through an official act of City Council by adoption of a resolution.

With respect to financial management activities, in particular, real estate and Act 511 taxes such as earned income, local services, deed transfer, business privilege/mercantile and mechanical devices, the City has gone through a review and evaluation of its collection practices. With the objective of making improvements to collections, Clairton has outsourced the responsibility of delinquent real estate, current/delinquent earned income, current/delinquent local services, current/delinquent business privilege/mercantile taxes to third party companies. They have coordinated this effort with the Clairton School District when both taxing bodies levy and share the same tax. Revenues have increased as a result of the combining of collectors for similar City taxes and combining collection efforts with the School District.

Residents approved a 2009 referendum authorizing an increase in the rate of the earned income tax to no greater than 2.0% on residents under authority of their home rule charter. The original charter capped the earned income tax rate at the rate (.05%) in place prior to the charter's adoption. With voter approval of the referendum, City Council voted to increase the resident rate on earned income to 1% from .05% effective in 2010 and this rate continues to remain in place.

The City of Clairton has employed a two-tier real estate tax millage rate in which the rate on land is much higher than the rate on improvements to the land (buildings/structures). The two-tier rate is intended to foster development of large parcels of undeveloped land and has been in effect since 1989. Levying a single millage rate real estate tax would increase the amount of property taxes on homeowners by shifting the burden back to the combined value of buildings/structures and land.

The City levies a municipal services fee of $144/year on residential property owners for the collection of garbage and recyclables. A reduced rate of $132/year is levied when paid within the discount period. Billing/collection is done once/year. The City has levied a municipal service fee since 1989 and is challenged to improve the annual collection rate of approximately 55%-60%. The City has discussed repealing the fee and rolling the cost of refuse/recycling collection into the real estate millage rate. However, Council has resisted doing so because of the unfair burden it would place on commercial business owners who are responsible for the cost of collection of their own refuse/recycling. The municipal service fee has been increased over the years to cover refuse collection cost increases starting at $120/year, to $132/year to the current rate of $144/year.

In 2012 the City sold its sanitary sewer system to the Clairton Municipal Authority for $9.7 million to be paid over a 25 year period in the amount of $407,737 annually. The City has instituted a practice of using a portion of the annual payment to go toward general fund expenditures and the balance of monies going into the Capital Reserve Fund for capital improvements/purchases. As a result of the sale, the City no longer has responsibility for the care, repair and maintenance of the sewer system. The City also transferred 1 Finance Office clerk and 3 Public Works employees to the Authority leaving the Finance Office with 1 FT and 1 PT employee and the Public Works Department with 5 FT workers.

The City continues to develop, adopt and implement an annual operating budget on a balanced and timely basis. In addition, the City continues to fund capital improvements/purchases using surplus general fund monies transferred at the end of the year or transferred during the year as a budgeted line item. There were several years in the 2000- 2009 recovery plan period where funds were not available for capital improvements/purchases out of the Capital Reserve Fund and when incurred either were paid out of the general fund as an unbudgeted expense or the City borrowed money or entered into a lease agreement through a financial institution. Since 2010 the City has made transfers into the Capital Reserve Fund either with surplus funds being available at the end of the year and/or through a budget line item making a transfer into the Fund during the year.

The City has implemented a cash management and investment policy and program that maximizes safety, liquidity and investment yield through local financial institutions, PLGIT and the PA Treasury Invest program.

The City continues to fund the accrued sick and vacation pay liability with annual allocations through the General Fund to the Employee Benefits Fund. Accrued paid time-off benefits are recorded as a liability in the General Long-Term Debt Account Group in the annual audit report to indicate that it is a significant financial obligation of the City. The liability is funded on an annual basis as part of the budget process and year-end transfer to the Employee Benefits Fund. In addition, the City is continuing the policy to have all employees take vacations in the same year in which it is earned with no vacation carryover into the next year permitted.

The City continues to have employee healthcare benefits and property and casualty insurance coverage analyzed and evaluated on a regular basis to build cost savings and competition into the selection process. From time to time the manager seeks proposals from insurance carriers to analyze and evaluate the various insurance programs to acquire the appropriate and necessary coverage. The City instituted a safety committee to address risk management issues and focus on controlling and monitoring worker's compensation claims and health benefit costs. The City receives a discount on its insurance premium as a result of employing a safety committee. The City had an insurance and risk management review done in 2003 by DCED, Center for Local Government Services, Peer Assistance Program. The review offered the City recommendations on not only reducing risk, liability and exposure but also ways to mitigate insurance claims including the creation of a safety committee to address the above issues.

Clairton maintains separate pension plans for police, former paid firefighters and both non-uniformed employee groups, clerical and public works for full-time employees. Clairton has met its minimum municipal obligation (MMO) payments on a timely and regular basis as provided in Act 205 of 1984, as amended. The only exception was in 1990 when the City received a no interest loan from the Department under Act 47 to address a delinquent fire pension plan obligation that was overdue in the amount of $285,000.

For a number of years during the recovery plan period, Clairton did not need to make a general fund payment as the combination of the State aid and employee contributions was sufficient to meet the minimum municipal obligation (MMO) into its three employee pension plans. While considered a Level 1 distressed pension plan by the PA Employee Retirement Commission, MMO payments are being deposited into the police pension fund and are anticipated to be required over the next twenty (20) years to bring the pension plan up to sufficient funding levels of 90% or better. A lesser unfunded accrued actuarial liability currently exists in the fire pension plan for former paid firefighters which is funded at 82% as of January 1, 2013. The non-uniformed employee pension plan (clerical & public works) has a fund ratio of 120% as of the end of 2013.

MUNICIPAL SERVICE DELIVERY SYSTEM

Public Safety, Public Works & Recreation

During the recovery plan process the City has made an effort to balance ongoing municipal service delivery costs and demand with available resources generated from its tax base to support municipal services. During a period of tax base/revenue stagnation the City instituted reduction in workforce measures in order to operate within budgetary parameters to avoid structural deficits. Consequently a reduction in workforce occurred in the combined administration/finance office where the employee complement went from four full-time in 2012 to one full-time and one part-time employee in 2013, and from eight full-time employees in the public works department in 2011 to five full-time in 2012 where it remains. The reduction in workforce in administration/finance office is because of two staff retirements in 2012 and one employee going to the Clairton Municipal Authority in 2012 as a result of the sale of the sewer system to the Clairton Municipal Authority in early 2013. The reduction in workforce in the City public works department is also a result of the sale of the sewer system to the Authority in 2012 in which three existing employees transferred over to the Authority in 2012 leaving two public works employees. A settlement of a grievance filed by the Teamsters Local Union No. 205 regarding three employees furloughed in 2011 resulted in their reinstatement in 2012 to bring the complement up to five full-time workers.

The City of Clairton is a full-service municipality providing administrative, police, volunteer fire, emergency medical, public works, code enforcement/building inspection and park and recreation services to taxpayers/residents. During the first 5 years of the recovery plan process, 1988-1992, the City did not have its own local police department. In 1985 as a result of a lack of funds and deficit spending City Council laid-off the entire police department in favor of dedicated PA State Police coverage throughout the City. In 1992 the City reestablished a local police department hiring officers to work on a part-time basis. Over the next several years the City continued to expand its police department with a combination of full and part-time officers providing 24/7 coverage based on its available resources. Part-time officer's hours equate to 14,500 hours/year of service per the annual budget.

In 2002 the City undertook a managerial and operations review and evaluation of the police department through DCED's, Center for Local Government Services, Peer Assistance Program. The review examined organizational staffing, costs, patrol, personnel and training, facility/vehicles/equipment, management information and opportunities for intergovernmental cooperation/shared services.

Recommendations included pursuing intergovernmental cooperative approaches to police service; improve communications by meeting more regularly with City management, elected officials and ranking officers; revise SOPs; increase training of officers including supervisory personnel; review/revise job descriptions for compliance with anti-discrimination laws; develop a police budget performance report; computerize booking of arrestees; personnel board review of application and conditional offer of employment forms for compliance with state and federal laws; adopt standardized firearms form and place shotgun racks in vehicle rather than store in trunk; and re-examine police officer evaluation system; establish performance standards; change daily log form; and eliminate position of public safety director, transfer administrative duties to police chief to administer department and create position of deputy chief or captain to supervise patrol function.

Clairton's police chief, at the time, implemented a series of the above recommendations contained in the 2002 police management review report to improve the managerial, administrative and operational/service delivery capacity of the department. The department currently consists of approximately 10 full-time officers including the chief and approximately 12 part-time officers. There is regular turnover of officers both full and part-time who leave for better paying positions in other municipalities and other law enforcement agencies. In addition, the City promotes part-time officers to full-time status with formal testing through the City Personnel Board, the body responsible for developing an eligibility list for Council to make appointments. Also the City has developed a command structure consisting of sergeants and lieutenants to supervise patrol officers all of which are supervised by the police chief who reports to the City Manager.

The City has pursued an inter-municipal approach to providing police service to save money and to improve management and operations/service delivery. However such an approach has not materialized even though the City leaves open the option should a prospective opportunity be feasible. The City provides and receives mutual aid and back-up to and from surrounding municipal police departments. Nonetheless no inter-municipal effort has gained support from surrounding municipalities to either form a regional police department, contract for service with another municipality or have the City provide the service to another municipality under a contract for service or purchase service from Allegheny County.

Clairton continues to operate and appropriate funds to its local fire department on an annual basis. Clairton has operated with a paid fire chief and cadre of volunteer firefighters since 1990 until 2011 when City Council laid-off the paid fire chief for economic reasons. Even though there was never a referendum question put before voters to consider whether to abolish the paid fire department, the City has been functioning without paid firefighter-drivers since the mid-1990s when the remaining ones retired through attrition. The City did not replace any of the paid firefighters because of austerity measures acknowledged in the collective bargaining agreement provisions that no longer required the City to hire paid replacements. In effect, Clairton, through attrition, lost its remaining four paid firefighters and by default has been operating as an all-volunteer fire department which continues to this very day. The Clairton Fire Department has a mutual aid agreement in place for reciprocal assistance to fight fires with adjacent and surrounding municipalities.

City Council appropriates general fund monies annually to the Clairton Fire Department to pay for insurance, materials and supplies, equipment, vehicle repair/maintenance, station utilities, fuel and fire station repair and maintenance costs. Over the years the City paid for new fire truck and vehicle purchases on behalf of the fire department. In 1992, the City had a review and evaluation done of the new volunteer fire department relative to management, administration, operations/service delivery through the then PA DCA, Bureau of Local Government Services, Peer Assistance Program. The fire peer report provided recommendations to strengthen the capacity of the volunteer fire department to deliver fire services. The recommendations have been implemented for the most part over the course of the last 22 years by the fire chief to the extent possible.

One such recommendation is for the City and volunteer fire department to adopt a formal agreement to clearly outline the nature and extent of their mutual relationship relative to each party's responsibilities and obligations to provide and support fire service. Such an agreement was adopted by Council and the volunteer fire department in 1992. Basically the agreement acknowledges that the volunteer fire department is a bona-fide, non-profit corporation for the purpose of providing fire protection and related services. In addition, the agreement states that the City shall appropriate funds to support the volunteer fire department and the funds shall be used for purposes identified by City Council in support of such fire protection and related services, and that the agreement may be amended in writing by mutual consent of both parties. Any amended agreement should include a schedule outlining a timeframe under which City appropriations will decrease to the volunteer fire department.

As of 1996, the Clairton Volunteer Fire Department provides primary care emergency medical services through the use of three ambulances that serve not only the City of Clairton but also Glassport Borough and other surrounding municipalities on a fee-for-service basis with paid staff providing service 24/7. A formal mutual aid agreement is in place with adjacent and surrounding municipalities to provide back-up response.

In 2003, the City undertook a review and evaluation of the public works department through the PA DCED's, Center for Local Government Services, Peer Assistance Program. At the time, the public works department review made several recommendations to improve management, administration and operations/service delivery. They included but were not limited to: 1) Set obtainable goals for the director and review on an annual basis; 2) Have director attend training on leadership and working with people; 3) Continue to use low cost training – LTAP, AGILITY; 4) Develop comprehensive safety plan; 5) Appoint safety officer from department – foreman or director; 6) Hold weekly safety meetings; 7) Work with union to develop disciplinary actions for violations of safety training; 8) Inventory items in the shop/garage, storage yard and dispose of unneeded items; 9) Clean/organize shop on weekly basis; 10) Larger equipment storage must be properly shored and supported to avoid accidents; 11) Set levels of materials/supplies to meet budgeted amounts and space allocations; 12) All purchases should be approved by the director; 13) Compile all written policies into one document; and 14) Develop survey and distribute to residents annually to help track level of customer satisfaction.

The report also recommended: 1) Use computer program that can track preventative maintenance and vehicle inspection; 2) Develop plan to replace vehicles and equipment on regular basis; and 3) Consider building low cost open-sided equipment storage areas to keep from storing equipment outside in weather.

Furloughs and not filling both the director and foreman positions were necessary because the City could not and cannot sustain existing higher levels of spending in the future. The City cannot afford employing eight full-time employees because of continuing rising costs associated with wages, healthcare, and worker's compensation insurance, in addition to operating costs for gasoline/fuel, materials and supplies and the ongoing need to make capital purchases and improvements. Otherwise the City would need to increase taxes on a tax base where approximately 25% are senior citizens living on a fixed income.

The public works department as a whole attends various training offerings in public works management/supervision, administration, operations/service delivery including job performance and skills. Examples of training sessions attended include supervision, equipment use training, pest control/spraying, pothole patching, traffic zone control, computerization and risk management, among others.

The City contracts out all road work improvement projects to the private sector other than general ongoing road cleaning, maintenance and repair, snow removal and ice control, building and property maintenance and other minor maintenance responsibilities. Currently there are five full-time public works department employees that handle the repair and maintenance of streets and other responsibilities identified above within a 2.5 square mile area. The City engages in an ongoing effort to address challenges associated with an older, aged infrastructure system. In addition, the City makes an effort to stay current on alternative surface treatment methods that are less costly and/or more durable and long-lasting and are incorporated into its capital improvement plan/budget.

Clairton continues the practice of employing summer, seasonal help for a six month period during the year. Normally individuals are employed by the City to supplement the work done by the public works department employees and to fill-in while regular full-time workers are on summer vacation. As part of the current collective bargaining agreement with the union the City is permitted to employ summer, seasonal employees as long as no public works employees are on furlough status during the employment of the seasonal help. As a result, there were no summer employees hired in 2010 and 2011 because three public works employees were on furlough status until they were reinstated in 2012.

During the early years of implementation of the recovery plan in 1992, Clairton went through a reduction in street lighting city-wide by downsizing the wattage of its lights. Duquesne Light Company, the electric supplier for Clairton carried out a downsizing program by reducing 100 watt bulbs to 70 and 250 watt bulbs to 100 watts for 243 street lights. The City recouped its initial investment expenditure within thirty-six months reaping a monthly savings of approximately $3,200 from its outlay of $109,373. In addition, the City continued to engage in a street light reduction program in the mid-1990s by eliminating 37 street lights. Also, the City participated in a Duquesne Light Company, Distressed Municipality Street Lighting program that provided a 15% discount in the base rate monthly charge, provided however the City meets certain conditions such as keeping current on payments and not downsizing or eliminating street lights, among others. It further reduced street lighting costs by approximately $29,830 annually. The Program began in 1994 and ended in 1999. The City should obtain pricing from the PA Municipal League (PML) on its joint energy purchase program to compare to current costs.

The City operates a park system that includes a swimming pool and several playground/parklets including a ball field. The City administers a recreation program throughout the year for residents of all age groups. The City appropriates funding toward care, maintenance and repair of park and recreation facilities and assets on an annual basis. Clairton used to employ a full-time recreation director until the individual was furloughed for economic reasons in 2007.

The City levies a fee to use the swimming pool on residents and non-residents at different rates. Annual swimming pool patronage fees do not rise to the level of covering operating expenses thus the general fund subsidizes the pool costs to some degree. What is encouraging is that the City has not only reduced operating costs but also its operating subsidy has decreased over the years and is now a negligible amount.

The City continues to provide an annual allocation to the city library facility for administrative costs and facility maintenance and repair. The City is also providing funding for capital improvements to the library for new lighting and other interior enhancements to invest in a community asset.

WORKFORCE AND COLLECTIVE BARGAINING

The City of Clairton compared to other similar sized municipalities share common characteristics as being labor intensive in the provision of public services as a full-service municipality. Clairton provides administrative, police, fire/emergency medical, public works, refuse collection, code enforcement and parks and recreation services on a full-time basis to residents and people who work in the City. Personnel and labor-related costs make up a majority of the City's annual expenditures. Budgeted appropriations in the 2014 annual budget for personnel/labor and labor related costs make up approximately half of the spending based on an employee complement of 17 full-time, 13 part-time and 27 seasonal employees on the payroll in 2014. Costs for union employees include not only wages/salaries but also overtime and for police officers, investigations/court costs and uniform allowance for police and public works employees. Personnel costs are approximately 44% of budgeted expenditures in 2014.

Related personnel costs include employer-paid hospitalization, vision/dental and prescription plan as well as life insurance, social security, unemployment compensation, various types of liability insurances including worker's compensation and bonding as well as for uniforms and testing/medical exams for hiring. In addition, related personnel costs include employer-paid hospitalization and life insurance for retirees as negotiated post-employment benefits.

Virtually all but three of the City's full-time employees (City Manager/Finance Director; Code Enforcement Officer; and Police Chief) are members of collective bargaining units. All three employee groups, police, public works and clerical are represented by Teamsters Local Union No. 205. The public works and clerical employees' group collective bargaining contracts have recently been renegotiated and approved for 2014-2017. The current police collective bargaining agreement expires in 2014.

Negotiations yielded a collective bargaining agreement that retains employee cost-sharing toward healthcare, wage increases that are relatively in line with projected rates of inflation, no additional paid time-off days and putting in place fixed personnel costs through 2018.

CLERICAL

Cost containment provisions contained in the various recovery plans throughout the period Clairton has been in the Act 47 program for all three employee union groups include not only hourly wages and salaries, but also overtime, employer/employee paid healthcare, paid time-off and pension benefits as well as other related economic subjects of bargaining. Cost containment hourly wage increases negotiated during the recovery period of 2008 – 2014 for clerical employees generally fall within the respective annual cost of living (consumer price index-CPI) as recommended in the adopted recovery plan and are illustrated below:

2008	2009	2010	2011	2012	2013
$13.88	$14.38	$15.13	$15.43	$15.83	$16.33
Base Year	50 cents	75 cents	30 cents	40 cents	50 cents
	3.5% Inc	5% Inc	2% Inc	2.5% Inc	3% Inc

The average annual wage increase over the six year period was 41 cents an hour or 2.5% per year. Overtime is paid at a rate of time and one-half the regular rate of pay for all hours worked in excess of eight hours in any regular work day or forty hours in any work week with no pyramiding of overtime permitted.

Below are the contractually negotiated wage increases for the current Clerical union collective bargaining agreement for 2014-2017:

2014	2015	2016	2017
$16.83	$17.33	$17.83	$18.33
50 cents	50 cents	50 cents	50 cents
3% Inc	3% Inc	3% Inc	3% Inc

The average wage increase over the four year period is 50 cents an hour or 3% per year.

The one full-time Clerical employee receives eleven paid holidays and two personal days a year. In addition, paid vacation is provided in which 2 weeks is granted after one year of service; 3 weeks after 5 years; 4 weeks after 10 years;

and 5 weeks after 15 years. Twelve sick days are provided with pay each year and may be accumulated from year to year without limitation. Once more than 100 unused sick days have been accumulated, buy-back is permitted at a rate of $50/day upon separation from City employment; less than 100 accumulated unused sick days buy-back is at a rate of $35/day. These elements are provided in the other collective bargaining agreements for purposes of parity and consistency.

Cost containment provisions are incorporated into current collective bargaining agreements. For example, cost containment negotiated employee cost sharing of healthcare premiums shall be one percent (1%) of annual base salary for employee only coverage and one and one-half percent (1.5%) of annual base salary for coverage other than employee only that is withheld on a monthly basis via payroll deduction.

Employees who choose not to participate in the medical, dental/vision and prescription care program are entitled to $2,500/year opt-out payment. In addition, the City pays the first $2,000 of the $2,500 deductible on behalf of the employee for health insurance coverage of which the employee is responsible for the remaining $500 via payroll deduction; provided the premium does not increase by more than 5% per year. Moreover, should the City and Union be unable to limit the annual premium rate increase to 5% of less after meeting and discussing the rate increase, the annual rate increases in excess of 5% shall be paid by the employee as an additional premium share contribution to the premium share contribution to be paid initially by the employee.

Cost containment applied to pension plan benefits as well in which a pension plan is provided to retired employees whereby current employees contribute 2% of their pay annually toward a pension upon retirement. The existing pension plan benefit equals 1% times credited service multiplied by final average salary which is based on 5 years annualized salary.

PUBLIC WORKS

Cost containment hourly wage increases negotiated during the recovery period of 2008 – 2013 for public works employees generally fall within the respective annual cost of living (consumer price index – CPI) as recommended in the adopted recovery plan and are illustrated below:

2008	2009	2010	2011	2012	2013
$16.03	$16.53	$17.28	$17.58	$18.08	$18.58
Base Year	50 cents	75 cents	30 cents	50 cents	50 cents
	3% Inc.	4% Inc.	2% Inc.	3% Inc.	3% Inc.

The average wage increase over the six year period was 43 cents an hour or 2% per year. Overtime is paid at a rate of time and one-half the regular rate of pay for all hours worked in excess of eight hours in a regular workday or forty hours in any work week with no pyramiding of overtime permitted.

Below are the contractually negotiated wage increases for the current public works union collective bargaining agreement for 2014 – 2017:

2014	2015	2016	2017
$19.08	$19.58	$20.08	$20.58
50 cents	50 cents	50 cents	50 cents
3% Inc.	2.5% Inc	2.5% Inc	2.4%

The average wage increase over the four year period is 50 cents an hour or 2.6% per year.

The five full-time public works employees receive eleven paid holidays and two personal days a year. In addition, paid vacation currently is provided in which two weeks is granted after one year of service; 3 weeks after five years of service; four weeks after ten years of service; and five weeks after fifteen years of service. Public works employees are provided with twelve sick days with pay a year and may be accumulated from year to year without limitation. There is sick leave buy-back of any unused sick days at $50/day up to a maximum of sixty days upon retirement.

Cost containment provisions are incorporated into current collective bargaining agreements. For example, negotiated employee cost sharing of healthcare premiums is one percent (1%) of annual base salary for employee only coverage and one and one-half percent (1.5%) of annual base salary for coverage other than employee only and is withheld on a monthly basis via payroll deduction.

In addition, the City pays the first $2,000 of the $2,500 deductible on behalf of the employee for health insurance coverage of which the employee is responsible for the remaining $500 via payroll deduction; provided the premium does not increase by more than 5% per year. Moreover, should the City and Union be unable to limit the annual premium rate increase to 5% or less after meeting and discussing the rate increase, the annual rate increases in excess of 5% shall be paid by the employee as an additional premium share contribution to the premium share contribution to be paid initially by the employee.

Cost containment applies to pension plan benefits as well in which a pension plan is provided to retired employees whereby current employees contribute 2% of their pay annually toward a pension upon retirement. The existing pension benefit equals 1% times credited service multiplied by final average salary which is based on 5 years annualized salary.

POLICE

The current collective bargaining agreement (CBA) covers years 2015-2018 for full and part-time police. The CBA negotiated and ratified is a negotiated agreement between management and the Union and did not require binding arbitration as provided under Act 111 of 1968 when impasse bargaining occurs. Both parties negotiated in good faith that resulted in a four-year agreement fixing costs for wages, based on inflationary projections, retaining employee cost-sharing of healthcare, maintains existing level of paid time-off days and continues the existing level of employee pension plan benefits and contributions.

Cost containment hourly wage increases were negotiated for the prior 2008 – 2011 collective bargaining agreement for full-time police officers. However the current 2012 – 2014 collective bargaining agreement for full-time police officers contained hourly wage increases that exceed the respective annual cost of living (consumer price index – CPI) in order for full-time police officers to reach a level of comparability with other police departments in the geographic area and to catch-up and get ahead of the public works employees who at the time were the highest paid employee group. Police wage increases are illustrated below under the seven year recovery period of review:

2008	2009	2010	2011	2012	2013	2014
$14.18	$14.68	$15.18	$15.93	$17.43	$19.18	$21.18
Base Year	50 cents	50 cents	75 cents	$1.50	$1.75	$2.00
	3.4% Inc	3.2% Inc	4.7% Inc	8.6% Inc	9.1% Inc	9.4% Inc

The average hourly wage increase over the seven year period is $1/hour or 6.4% per year for full-time police officers. For illustration purposes, the Sergeant's wages are used which are higher than Patrolman wages by a difference of 67 cents/hour both in the prior and current collective bargaining agreements.

Below are the contractually negotiated wage increases for the current police union collective bargaining agreement for 2015 – 2018 (full-time only):

2015	2016	2017	2018
$21.93	$22.68	$23.33	$23.83
75 cents	75 cents	65 cents	50 cents
3.4% Inc	3.3% Inc	2.7% Inc	2% Inc

The reason for the difference in hourly wage rates between the full-time police officers and full-time public works employees is mainly because the Clairton police department was furloughed for a seven-year period from 1985 – 1992. During that time the City received dedicated State Police coverage. The City reestablished its local part-time police department in 1992 at a wage rate lower than the full-time public works employees and this continued until 2012. In effect, the annual wage increases granted to both full-time and part-time police within the current 2012 – 2014 collective bargaining agreement were in excess of the cost containment language in the adopted recovery plan. Nonetheless, full-time police currently are the highest paid employee group and are expected to continue to be as a result of the most recent collective bargaining agreement negotiations. Recognition of the police being the highest paid employee group in the City is a reflection of the nature of the type of work police perform. In addition, City Council wanted to bring police officers' wages into parity with other comparably paid local police departments in the region.

Cost containment hourly wage increases negotiated during the same prior 2008 – 2011 for part-time police officers were more in line with the respective cost of living (consumer price index – CPI) as recommended in the adopted recovery plan. However the negotiated annual wage increases in the collective bargaining agreement for 2012 – 2014 were above the cost containment language in the adopted recovery plan (wage increases are tied to the annual consumer price index-CPI).

Annual wage increases negotiated during the 2008 – 2011 and 2012 – 2014 contract period for part-time officers are illustrated below:

2008	2009	2010	2011	2012	2013	2014
$11.89	$12.39	$12.89	$13.39	$13.86	$14.16	$15.16
Base Year	50 cents	50 cents	50 cents	47 cents	60 cents	70 cents
	4% Inc.	3.8%	3.7%	3.4%	4.1%	4.6%

The average hourly wage increase over the seven year period was 47 cents/hour or 3.4% per year for part-time police officers. Time and one-half is paid for all hours worked in excess of forty hours during any regular work week or in excess of eight hours during a single work shift but not both to avoid pyramiding of overtime.

Below are the contractually negotiated wage increases for the current police union collective bargaining agreement for 2015 – 2018 (part-time only):

2015	2016	2017	2018
$15.91	$16.66	$17.31	$17.81
75 cents	75 cents	65 cents	50 cents
4.7% Inc	4.5% Inc	3.7% Inc	2.8% Inc

The average wage increase over the four year period for part-time police officers is 66 cents an hour or 4%.

Cost containment provisions pertain to full-time police officers who receive eleven paid holidays. When a full-time officer works on a paid holiday, compensation is at a rate of two and one-half times the regular rate of pay for the eight or twelve hour shift worked and time and one-half for each subsequent hour. Both full and part-time police officers earn paid vacation. Full-time officers working an eight hour shift are entitled to two weeks of vacation after one year of service; three weeks after five years of service; 4 weeks after ten years of service; and five weeks after fifteen years of service. Should the City utilize a twelve hour shift schedule, full-time police officers receive vacation based on eighty hours after one year of service; one-hundred twenty hours after five years of service; one-hundred sixty hours after ten years of service; and two-hundred hours after fifteen years of service.

Part-time police officers with a minimum of three years of service and having worked at least 1,040 hours in the preceding year are entitled to a week vacation in their fourth year and every year thereafter. A week of vacation for part-time officers shall be equal to their average hours of work per week. Full-time police officers each receive one personal day per calendar year. Full-time police officers are given one day of sick leave per month for a total of twelve sick days per year. Full-time police officers following a twelve hour shift are given ninety-six hours per year or eight hours per month of sick leave. Any unused sick leave may be accumulated from year to year without limitation. Sick leave is not provided to any part-time police officers.

Negotiated employee cost sharing of healthcare premiums is one percent of their annual base salary for employee coverage only and one and one-half percent of their annual base salary for coverage other than employee only on a monthly basis via payroll deduction. In addition, employees who choose not to participate in the City-paid medical, dental and vision care program shall be entitled to receive an opt-out payment of fifty percent of the annual healthcare premium in lieu of healthcare coverage. The employee is required to provide proof of alternative healthcare coverage to the City to be eligible for the in lieu of payment.

Also the City shall pay the first $2,000 of the $2,500 deductible on behalf of the employee for healthcare coverage with the employee paying the remaining $500 via payroll deduction; provided the premium does not increase by more than five percent per year. Otherwise the City and Union agree to meet and discuss for the purpose of limiting premium rate increases to a rate of five percent or less per year as a one of the cost containment provisions in the adopted recovery plan. Should the City and Union be unable to agree, the excess above five percent shall be paid by the employee as an additional premium share contribution to the premium paid initially by the employee. For the dental and vision care program, the employer-paid premium is capped at $60/month per employee under the current contract. Part-time police officers are not entitled to any medical, dental or vision care program benefits.

A pension plan benefit is provided to full-time retired police officers. Current full-time police officers contribute seven percent of their annual compensation toward a pension upon retirement. The existing pension benefit equals two percent times credited service multiplied by final average salary which is based on five years annualized salary.

The Consumer Price Index – All Urban Consumers – U.S. City Average published by the U.S. Department of Labor, Bureau of Labor Statistics indicates that the annual change in the cost of living for the period 2007 – 2013 is illustrated below:

CONSUMER PRICE INDEX – ALL URBAN CONSUMERS – U.S. CITY AVERAGE
U.S. DEPARTMENT OF LABOR – BUREAU OF LABOR STATISTICS

2007	2008	2009	2010	2011	2012	2013
2.8%	3.8%	- 0.4%	1.6%	3.2%	2.1%	1.5%

2014	2015
0.8%	2% (Projected)

The average increase in the consumer price index (CPI) over the eight year period is 2% compared to annual hourly wage increases granted to City employees which for Clerical employees averaged 2.5% over the same period of time. For Public Works employees the average annual wage increase was 2% over the same time period. With respect to full-time Police, the average annual wage increase was 4% and for part-time officers 3% over the 2007 – 2014 time frame.

Under the prior collective bargaining agreement with police (2012 – 2014) the average annual increase for full-time police officers was nine percent which is well above the CPI through 2014 and with what is anticipated through 2018 given the historically low rate of inflation. For part-time police officers the average annual wage increase was 4% for 2012 – 2014 which was almost double the average rate of inflation through 2014 and more in line with what the rate of inflation may increase to through 2018.

Under the current collective bargaining agreement with police (2015 – 2018) the average annual increase for full-time police officers is three percent which is still above the rate of inflation (consumer price index) for the last several years and what is anticipated for the current year. For part-time police officers the average annual wage increase is the same at three percent.

The City of Clairton has defined pension plans for police, paid firefighters and non-uniformed employees that are administered by the PA Municipal Retirement System (PMRS). The funds are administered consistent with Act 205 of 1984, as amended, the PA Municipal Pension Plan Funding Standard and Recovery Act. PMRS also handles investment of pension plan assets held in the three respective pension plans. Actuarial reports are prepared every other year by PMRS to advise the City of the financial condition of the three pension plans, identify whether unfunded actuarial accrued liabilities exist and the amount of funding requirements to keep the pension plans solvent. PMRS annually provides the City with the amount of its minimum municipal obligation (MMO) by September 30 so that appropriate funds are incorporated in the upcoming budget.

The PA Public Employee Retirement Commission (PERC) is a Commonwealth agency responsible for administering Act 205 of 1984, as amended. PERC receives and reviews actuarial reports of pension plans to determine compliance with Act 205. PERC also compiles general municipal pension plan data in an annual report of every reporting municipality and municipal authority that has a pension plan that provides plan type, number of active members, accrued liability, assets, unfunded actuarial accrued liability and funded ratio.

Act 44 of 2009, amended Act 205 of 1984 and made significant changes to the Municipal Pension Plan Funding Standard and Recovery Act. Recognizing the current economic climate, Act 44 made available a number of actuarial tools intended to provide short-term fiscal relief to local governments with public pension plans. Act 44 provides that a distress score be calculated for every pension plan and assigned a corresponding distress level with mandatory remedies, voluntary remedies or no remedies available.

The Act 44 distress score is based upon an aggregate funded ratio of a municipality's pension plan, as reported in the municipality's Act 205 Actuarial Valuation Report. The funded ratio is determined by dividing the total actuarial assets of the pension plan by the total actuarial liabilities and stated as a percentage. As such, PERC has indicated that the City of Clairton is a Level One - Minimal Distress pension plan municipality because it has an aggregated funded ratio of less than 90% or an actual score of 84%. This is the case because the police pension plan has a funded ratio of approximately 19% as of January 1, 2013. All three pension plans are outlined below based upon the PERC December 2012 Annual Report using 2011 pension actuary data.

	PLAN TYPE	ACTIVE MEMBERS	ACCRUED LIABILITY	ASSETS	UNFUNDED ACCRUED LIABILITY	FUNDED RATIO
FIRE	Defined Benefit	0	$2,495,320	$2,043,272	$452,048/0% of Pay	82%
NON-UNIFORMED	Defined Benefit	8	$2,526,359	$3,018,052	$(491,693)/ (73%) of Pay	120%
POLICE	Defined Benefit	8	$1,797,229	$ 346,497	$1,450,732/340% of Pay	19%

Distress Score - Level 1 – Minimal Distress = 84			Total Accrued Liability = $6,818,908	Total Assets = $5,407,821		

As a Level 1 (Minimal Distress) pension municipality, Clairton may institute voluntary remedies as provided below:

- Aggregation of pension funds for administration and investment;
- Establishment of total members contributions'
- Deviation from municipal contribution;
- May pay 75% or more of the amortization requirement for 2 years;
- Increase in the asset smoothing corridor from 20% to 30% for an additional 2 years (expired 12/31/12), whether elected or not elected).

Over the last two decades the City of Clairton has experienced a dramatic change to its tax base, population and capacity to provide municipal services through downsizing operations. One of the primary means of responding to the need to reduce operating costs is to cut personnel expenses which normally make up the largest portion of spending in the operating budget. Nonetheless pension funding requirements remain an ongoing responsibility for Clairton which is addressing minimum municipal obligations (MMO) on a timely basis as the City continues to right size by matching expenditures and revenue levels.

Clairton continues to meet service delivery demands responsibly within resources available. The City continuously pursues cost containment measures to live within its means as a municipality with a limited yet stable tax base and ability to pay. A central component of the recovery process has been and continues to be the need to contain police, public works and administrative personnel costs (i.e., wages/salary and fringe benefits). Implementation of cost containment measures have been a success through the collective bargaining process, operational productivity improvements and upgrades to the information technology system not only for financial management purposes but also relative to electronic communications. As a result financial recovery has been achieved.

COMMUNITY AND ECONOMIC DEVELOPMENT AND TRANSPORTATION

The City of Clairton has been designated as a distressed municipality under Act 47 of 1987, as amended since 1988. Over the last twenty-seven years Clairton has been able to meet its ongoing operating obligations on a timely basis for the most part, establish and finance a capital improvement program, pay-off two Act 47 loans to the DCED on a timely basis, remain current on pension obligations and continue to fund a local police department since its reestablishment in 1992.

Many of the accomplishments are attributable to managerial and administrative improvements and an increased recognition that municipal services must be provided in the most efficient and professional manner feasible given the existing revenue base of the City. Clairton needs to continue the same success it has achieved in these areas relative to community and economic development. In the last few years under the current Manager, the City has instituted a more aggressive and comprehensive approach to revitalizing its tax base. It has instituted programs to demolish blighted, abandoned and tax delinquent property; sell blighted, abandoned tax delinquent property through an annual Treasurer Sale to convert to tax-paying properties; implement more code enforcement activity through adoption of a property maintenance code to maintain neighborhood property values; inventory of tax paying and tax-exempt properties; institute a vacant property program administered in conjunction with the Clairton Redevelopment Authority to return tax delinquent parcels back onto the tax roll; and continued participation in a regional enterprise zone with the Cities of Duquesne and McKeesport.

The City is progressing toward creating an environment conducive for community and economic development through the above initiatives that is not only significant but sustainable and will strengthen its tax base in the long-term. The City is utilizing a multi-element strategy to grow business development, commercial revitalization and residential rehabilitation/new construction to achieve stable, long-term growth in its tax base. Clairton is in a position to focus on these initiatives now that its finances are more stable and predictable.

In 2011, the City adopted an updated comprehensive plan. The last update was in 1993. Community development goals and standards were incorporated into the comprehensive plan and focus on balancing and enhancing residential, commercial, industrial and institutional land use and redevelopment. The comprehensive plan addresses traditional elements of land use and economic development; historical and natural resources; parks and recreation; community facilities and services; transportation; and housing/residential development. It serves as a catalyst to identify and support the need for initiatives and projects to address Clairton's most pressing need: to continue to expand and stabilize the local tax base and sustain the viability of Clairton.

The City's 2011 comprehensive plan resulted in an update to land use/zoning regulations to create an environment that is more conducive for redevelopment activities. With both documents updated, they serve as an economic development guide to continue initiatives that add value to the tax base. The new comprehensive plan and land use/zoning regulations are serving as a catalyst to address changing conditions that have taken place over the past two decades. For example, the City is more aggressive in the area of building inspection, code enforcement and local ordinance enforcement. It reinstituted its part-time police department in 1992 and expanded it to a 24/7 service. It has undertaken citywide demolition of blighted residential and commercial properties, demolition of a public housing project that has been converted to new home construction for rent-to-own and renters of low-moderate income. It also participates in a regional enterprise zone program with two other cities to grow the commercial and industrial base, new home construction/housing rehabilitation and sale of blighted, abandoned tax delinquent properties to private property owners.

Code enforcement has become a critical element of the City's housing program. Clairton employs a full-time code enforcement officer/building inspector to administer the property maintenance code and Uniform Construction Code – residential activities. Aggressive code enforcement efforts and activities have led to a decrease in the level of further deterioration of the housing stock through citywide programs that provide incentives to improve residential property. Clairton continues to carry out a proactive code enforcement program that confronts blight and abandoned properties, deterioration of neighborhoods and convert idle properties back to the tax rolls. Active and aggressive code enforcement efforts are continuing to maintain current housing stock and strengthen the need for more new home construction. The City continues to make this a priority and to sustain the internal administrative capacity to carry out the responsibility of administering the Uniform Construction Code and local property maintenance code effectively and productively.

The City of Clairton is implementing an overall housing strategy to provide safe, affordable and attractive residential opportunities for all segments of the population. The strategy is being implemented because it is necessary to confront the blight, abandoned tax delinquent properties that lead to further deterioration of neighborhoods caused by one or more factors:

- Continued decline in number of dwelling units for owner-occupied and rental housing;
- Increase in housing vacancy rates and demolition;
- Aging housing stock;
- Aging population;
- Diminishing or below average household and per capita income;
- Intrusion of industrial and commercial uses into residential neighborhoods; and
- Deterioration of other property and infrastructure in these neighborhoods.

During the last two decades the City has received and used community development block grant (CDBG) funds, urban development action grant (UDAG) funds, DCED housing and redevelopment funds and locally generated monies to implement its strategy to address blight, abandoned and tax delinquent properties in residential and commercial areas. Funds have gone toward a community development/housing coordinator position, economic development coordinator position, implementation of housing loan and grant programs, marketing, technical assistance and administration. The success of the City's housing improvement program can be seen in the reversal of the trend of blight increased blighted properties and deteriorated neighborhoods through housing restoration, rehabilitation and home ownership.

Clairton carries out a part of its housing strategy through the Community and Economic Development Corporation of Clairton (CEDCC), a locally based community development corporation (CDC). The CEDCC by itself and in cooperation with the City has applied for community development block grant (CDBG) funds both from the state and county as well as other sources such as the Sanders Task Force when it was in existence until disbanded. The Sanders Task Force as an entity ceases to exist as the consent decree that created it was ended by the U.S. Federal District Court as of 2002.

Throughout the years of the recovery period the CEDCC worked in conjunction with the Mon Valley Initiative (MVI), a non-profit organization that provides technical assistance in housing and community development to distressed and financially challenged/at-risk municipalities in the Monongahela Valley area of western PA. MVI facilitated a community-wide group public meeting in 1999 on behalf of the CEDCC. Four objectives were identified along with a strategy and timetable over a multi-year period the City is implementing. The four objectives are:

1) New mixed-income housing and townhouse construction at scattered sites throughout a former public housing complex area and throughout the City.
2) Reuse of vacant property for new housing construction, preferably single-family units.
3) Rehabilitation for Resale Program to remove housing structures from tax delinquent property rolls and arrange for their rehabilitation for resale.
4) Demolition of certain unsafe structures by seeking additional grant funding for demolition, vacant property, rehabilitation for resale and new home construction.

With respect to the four objectives, new housing development has occurred on the former Blair Heights public housing complex in which a private developer has constructed new housing that is both market rate priced homes for private ownership and rental units for low to moderate income populations. Both types of housing being privately owned are now tax-paying properties.

The City utilizes summer interns from the Local Government Academy to carry out special projects. The last several interns focused their efforts not only on developing a real time list of blighted, abandoned tax delinquent properties and their status but also spent time working with the in-house code enforcement officer/building inspector to administer and enforce the property maintenance code against violators. There is also a focus on business district revitalization initiatives to grow the commercial sector.

The City has undertaken a vacant property program in which owners of adjacent property purchase parcels put up for sale at a predetermined amount based on the assessed value of the property through a court order exonerating the delinquent taxes and liens making the property free and clear of any previous obligations on the part of the purchaser. The Redevelopment Authority of the City of Clairton provides the mechanism for idle properties to be transferred to and then returned to private ownership through the vacant property program.
The City and CEDCC continue to monitor and oversee the status of vacant property. The City accepts applications from interested buyers of vacant property. In addition, Clairton has initiated an annual sale of tax delinquent properties (Treasurer Sale – under Third Class City Code) through a public auction with interested buyers bidding either to rehabilitate blighted residential structures or demolish and rebuild the structure or use the parcel as a side lot. Either way, the City is able to sell a number of these properties for the amount of the delinquent taxes due. This results in property taxes once again being paid on them by a responsible owner.

The City has been undertaking a demolition program on an annual basis throughout the recovery period. Community development block grant (CDBG) funds received by Clairton are used to raze structures which pose a threat to the health, safety and welfare of the community. Normally there are more structures in need of razing than there are CDBG funds. Over the last two years, the City's financial position has improved to the point that permits the City to allocate local monies toward additional razing of structures to accelerate the removal of blight to create an environment conducive to foster scattered site or targeted site housing rehabilitation and/or new home construction.

While the working relationship between the City, CEDCC and MVI has been more productive in the past, neither the City nor CEDCC have engaged in any formal or official collaboration in the last decade. The City does not have an in-house staff person to administer housing and community development programs and projects. In the past the City utilized the services of both the Mon Valley Initiative when the local CEDCC was involved in a housing project and the Allegheny County Department of Economic Development when it involved only the City.

The cities of Clairton, Duquesne and McKeesport established a regional enterprise zone program in 1995 through an intergovernmental agreement to foster economic development. Funds for administration, marketing, technical assistance and projects are provided primarily from DCED. Clairton participates in the regional program through representation as an equal member of the advisory board of which all three cities participate. A Revolving Loan Fund was established to provide loans to businesses for commercial and industrial redevelopment projects. Loans are made to new businesses and to expand existing businesses that are eligible. The City established a local revolving loan fund in 1999 to serve as one financing component. The intergovernmental cooperation agreement provides for the organization, process and administration of the program.

The regional enterprise zone program has a normal ten-year life cycle. The regional zone has been renewed for an additional eight-year period for the three cities as of 2007. In the past under the program, the Clairton Reinvestment Corporation served as the local development corporation for the City to recommend enterprise zone program business loans for private parties. The Clairton Reinvestment Corporation made recommendations to the regional board on lending monies to Clairton businesses within the zone from the shared revolving loan fund.

The Clairton Reinvestment Corporation was dissolved by Clairton City Council in 2013 as a result of Clairton, Duquesne and McKeesport losing their Regional Enterprise Zone Program designation effective June 2014. The assets held by the Clairton Reinvestment Corporation have been transferred to the consolidated Revolving Loan Fund along with the revolving loan funds of Duquesne and McKeesport respectively. The consolidated Revolving Loan Fund is administered by the Redevelopment Authority of the City of Duquesne on behalf of all three cities under the intergovernmental cooperation agreement.

The newly Consolidated Revolving Loan Fund is a self-supporting and self-perpetuating pool that is reused over time as business loans are repaid for the purpose of fostering more redevelopment and investment to create jobs, stabilize and regrow the local economy and add to the value of the tax base. A revolving loan fund serves as an important tool and resource to help stimulate local reinvestment and economic redevelopment in Clairton.

Non-performing loans (2) from the revolving loan fund of the Clairton reinvestment Corporation have been transferred to the City of Clairton for collection. Any proceeds received from collection of the non-performing loans may be retained by the City. A new Consolidated Loan Committee representing the public and private sectors has been assembled to review and recommend loan requests through the Redevelopment Authority of the City of Duquesne on behalf of all three cities.

Clairton continues to work with the PA Department of Transportation (PennDOT) on transportation needs relative to traffic signal improvements, maintenance agreement to salt State Routes 885 and 837 during the winter, AGILITY projects and specifications for road improvement activities. Not only did the City work with PennDOT on the rehabilitation of the Ravensburg Bridge (city-owned on state route in which the federal government paid 80% and PennDOT 20% of the rehabilitation cost) in 2001 but also with traffic signal replacement/upgrades and maintenance and repair work on state-owned roads in the City over the recovery period.

The City has undertaken a street/road resurfacing and reconstruction program citywide as part of its overall capital improvements plan. For the most part Clairton utilized monies in the capital reserve/improvement fund as well as CDBG funds to carry out such projects. However there were a few years in which Clairton ran operating deficits and did not have funds available to appropriate to pay for capital projects out of the capital improvements fund. As a result the City either had to pay for projects directly out of the general fund or simply use what CDBG funds were available for projects in eligible areas.

The City implemented a practice to not only conduct an annual survey and inventory of the condition of the roads to identify projects and their order of priority but also to carry out a routine annual vehicle and equipment replacement program using capital improvements funds. The City over the last few years accumulated a cash balance not only in the general fund but also in the capital improvements fund from inter-fund transfers based on revenue exceeding expenditures in the operating budget. The accumulated multi-year cash balance has given the City the opportunity to have monies available to engage in capital improvements and purchases to benefit its service delivery system and improve employee productivity.

Clairton is now in a position to identify, prioritize, finance and implement capital projects throughout the City in a rational, planned and organized manner determined through consensus-building and empirical data. For example, its capital improvement plan pays for improvement projects such as streets/roads, catch basins/storm sewers, parks and recreation facilities, other city-owned facilities, infrastructure and vehicles/equipment. The City is consistently able to replenish its capital reserve/improvement fund/budget through excess funds in the general fund at year-end as a result of revenues exceeding expenditures in the operating budget. With the annual proceeds received by the City from the sale of the sewer system to the Clairton Municipal Authority, Clairton has a recurring stream of money for the next 22 years as a subsidy to cover the cost of three of the five current public works employees who used to be paid out of the Sewer Fund when the City was responsible for sewer system care, maintenance, repair and improvements prior to its sale in 2012.

SECTION 3

FINANCIAL REVIEW AND TRENDS

The next section of this Evaluation Report is to review and evaluate fiscal trends to illustrate the City of Clairton has significantly improved its financial condition and is projected to have a sustainable operating position going forward with proper management oversight, spending controls and ongoing tax base stability and growth.

Many factors have had a positive effect on the continuing improvement of the City's financial condition since implementation of the original recovery plan in 1988. Upon entering the Act 47 program the original recovery plan recommended that the City secure An Act 47 long-term loan to address a $681,809 operating deficit. This loan was repaid on a timely basis. In addition, Clairton received a second Act 47 long-term loan in 1990 to fund a delinquent fire pension plan obligation the City was unable to make when required in the amount of $285,000 which was also repaid on a timely basis. Original and subsequent recovery plans also recommended the City seek court approval to increase the earned income tax rates both on residents and non-residents under authority of Act 47 to fund essential services and meet obligations on a timely basis.

As revenue collections increased not only through the imposition of a higher earned income tax rate on residents and non-residents and a real estate tax millage increase but also through aggressive delinquent tax and fee collection efforts, the City utilized the revenue increases to address capital purchases and improvements, deferred maintenance, hiring of additional employees especially in the police department and increases in park and recreation related activities and programs.

During the recovery period police and public works department operating costs increased annually for different reasons. Police costs increased because additional full and part-time officers were hired. These individuals received annual wage increases along with greater City responsibility for capital purchases such as vehicles and equipment and annual premium increases in health, liability and worker's compensation insurances. Settlement of lawsuits filed against local police was also an added expense to the City.

Additional increased public works department related expenses were a result of the sewer fund budget covering the cost of City employees who spent a portion of time doing sewer system work rather than being paid out of the general fund budget and being reimbursed for direct and indirect costs through the sewer fund. Moreover the sewer fund incurred an operating deficit for many years because user charges did not cover the cost of paying public works employees for sewer system work. Also annual wage increases were being granted to all employees both union and management.

In effect, the public works department was underfunded because of initial resistance on the part of Council to approve a real estate tax millage increase and a false sense of financial security on the part of the City from the increased revenues received for reasons identified above.

Elimination of a critical hurdle to exiting the Act 47 program was implemented in 2000 and 2007 respectively with a roll back of the increase in earned income tax rates on non-residents and residents respectively to the level authorized under Act 511 of 1965, as amended. In 2009, City voters approved an amendment to the Clairton home rule charter increasing the cap on the earned income tax rate to 2% on residents only. Act 511 was amended to also allow municipalities to institute a Local Services Tax of up to $52/year in which the school district receives $5.

In addition, Act 32 of 2008, an amendment to Act 511 of 1965, instituted a consolidated earned income tax collection system that has resulted in the City receiving additional revenue. Moreover, the City received an increase in tax revenue through contractor work being done at the USX Clairton Coke Works plant with the City capturing the local employment of contracted employees and gross receipts of contractors' working at the Coke Works plant. These revenues along with cost containment initiatives have allowed the City to address its ongoing operational and capital needs in addition to having annual year-end positive fund balances and budgetary reserve.

REVENUES

This section of the report will examine revenue sources within the annual budget for the period 2007 – 2014 and provide an analysis of the trends throughout the period.

Real Estate Taxes: Over the eight-year period of review (2007-2014), revenue attributable to real estate taxes increased 55% or $474,158. The City has a two-tier real estate tax millage rate in which land is taxed at a higher millage rate than improvements on the land (buildings/structures). In 2007 the two-tier millage rate was 28 mills on land and 1.22 mills on improvements. For 2008, City Council increased the millage rate on improvements by 1 mill to 2.22. In 2011 the millage rate increased to 36 mills on land and 4.22 mills on improvements. When the countywide property reassessment took effect in 2013, the City reduced the millage rate on land to 33 mills and to 3.5 mills on improvements to comply with the anti-windfall provision of the Second Class County Code. The impact of the countywide property reassessment initially was an increase in 2013 of 26% from the year before. However there was an overall decrease in the value of taxable property of 9% in 2014, a year after it took effect as a result of property value assessment appeals by property owners including USX Steel Corp Clairton Coke Works. Upon appeal in 2013, USX Corp won a reduced assessment appeal dropping the value of the plant to $2.5 million from $14.7 million or a $12.2 million decrease. After a combined appeal filed by the City of Clairton and the Clairton School District challenging the reduced figure, USX and the two taxing bodies negotiated a compromise settlement amount of $8.8 million for 2013 and 2014.

Real estate tax collections were $868,343 in 2007 and $1,342,501 in 2014 resulting in an increase of $474,158 or 55%. The year experiencing the highest amount of collections is 2014 with $1,342,501, the year after the countywide property reassessment figures went into effect where $1,160,937 was received in 2013. Over the eight year period under review, the property tax has been the major revenue source for the City followed by the business gross receipts and local earned income taxes.

The base underlying the amount of real estate tax revenue generated annually is the assessed value of taxable property in Clairton. During the eight year period of review, 2007 – 2015, the assessed value of taxable property was $121,402,150 in 2007, hitting a low of $117,594,250 in 2012, increasing to $157,937,221 in 2013 when the countywide property reassessment took effect, then dropping to $144,119,671 in 2014 as a result of property assessment appeals. The 2015 assessed value of taxable property is $148,092,607 or an increase of $3,972,936 or 3% over 2014. Overall assessed value of taxable property increased 18% from 2007 – 2015 or $26,690,457.

Real Estate Transfer: Revenue received from this source fluctuated during the eight year period under review. Peaking in 2012 in the amount of $22,654, a low occurred in 2013 with $10,383 with varying amounts received in intervening years of $15,016 to $21,728. Overall collections dropped 28% from 2007 ($21,728) to 2014 ($15,546-Unaudited).

Earned Income: Revenue received from this source fluctuated during the eight year period from a low of $359,108 in 2009 to a high of $946,956 in 2013 or an increase of $587,848 or 164%. 2014 EIT revenue is $911,326 or a $35,630 decrease of 4% over 2013. The reason for the major increase in collections in 2012 and 2013 is the implementation of the consolidated collection system under Act 32 of 2008 that was effective January 1, 2012. In 2014 there is a negligible leveling off of the EIT.

As of January 1, 2001, the City ended the higher rate on non-residents and in 2007 the City no longer levied a higher earned income tax rate on residents under authority of Act 47 so that earned income tax collections no longer represent extraordinary revenue raising measures. However in 2010, City Council increased the rate on the local earned income tax to 1% from .5% as a result of voter referendum approval in 2009 to amend the Clairton home rule charter permitting an increase in the rate up to 2% on residents. The City is no longer dependent on extraordinary revenue-raising measures under Act 47, Clairton is utilizing its authority under its own home rule charter to tax resident earned income at a higher rate. Thus the City is an eligible candidate to be considered for exiting the Act 47 program.

Mercantile/Business Privilege: Revenue received from this source during the period of review experienced annual increases for each of the respective eight years. Starting in 2007, the City received $108,619 in combined mercantile/business privilege taxes (gross receipts). In 2013, $1,083,630 was generated or $975,011 more or a 100% increase from 2007. 2014 collections decreased $835,869 to $247,761 or 77% less. The significant increase in the annual amount received in 2012 ($587,245) and 2013 is based on environmental improvements and production upgrades being undertaken by USX Corp at the Clairton Coke Works plant using private contractors to perform the work over a multi-year period. Consequently the City is capturing the gross receipts tax liability on the value of the work.

Local Services: Revenue received from this source over the eight year period of review peaked in 2013 at $168,623 with the next best year being 2007 in the amount of $105,145 or a 38% decrease of $63,478 compared to 2013. 2014 revenue received is $100,270. During intervening years revenue received varied from $78,139 in 2009 to $93,869 in 2011. Collections picked up considerably in

2013 of $168,623 mainly because of environmental improvements and productivity upgrades being undertaken by USX Corp at the Clairton Coke Works by private contractors in which the City is taxing workers during their respective periods of employment while in Clairton. Private contractor work is expected to continue at the Coke Works facility for the foreseeable future in order to meet environmental regulations.

Mechanical Devices: Throughout the eight year period under review revenue received has fluctuated from a high of $38,400 in 2007 to a low of $11,100 in 2012 with 2013 generating $12,950. 2014 revenue received is $21,400. Overall revenue decreased $17,000 or 21% over the eight year period of 2007 – 2014. Rates for mechanical devices have remained constant. However, less revenue is being generated because there are less mechanical devices in Clairton upon which to levy the tax.

Regional Asset District – County Sales Tax: Over the eight year period of review revenue received from this source has varied from a high of $459,151 in 2013 to a low of $367,008 in 2012 or a $92,143 difference. The amount received in 2014 is $512,596, the highest to date. Amounts received in earlier years range from $393,018 in 2010 to $421,331 in 2007. Monies received are a result of retail spending in Allegheny County in which the 1% sales tax is distributed to municipalities based upon a weighted tax revenue formula established in the originating statute and is a result of economic activity from month-to-month in the county.

Provided below is a summary of the various tax rates levied by the City of Clairton over the last 9 years of the recovery period not only on property owners but also on people who live and work in Clairton. As you will note, rates have remained relatively constant and represent stable and recurring revenue.

CITY OF CLAIRTON
MUNICIPAL TAX RATES
2007 – 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
TAX									
Real Estate Millage Rate-	28	28	28	28	36	36	33	33	33

Land									
Real Estate Millage Rate-Buildings	1.22	2.22	2.22	2.22	4.22	4.22	3.5	3.5	3.5
Earned Income	.5%	.5%	.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Local Services	$47	$47	$47	$47	$47	$47	$47	$47	$47
Mercantile-Mills-Retail	.75	.75	.75	.75	.75	.75	.75	.75	.75
Mercantile-Mills-Wholesale	.5	.5	.5	.5	.5	.5	.5	.5	.5
Business Privilege-Mills	6	6	6	6	6	6	6	6	6
Real Estate Transfer	.5%	.5%	.5%	.5%	.5%	.5%	.5%	.5%	.5%
Mechanical Devices	$700	$700	$700	$700	$700	$700	$700	$700	$700

License and Permits: Revenue from this source over the eight year period of recovery under review is relatively constant with the City generating $100,081 in 2007 to $116,929 in 2009 at its peak to intervening amounts leveling off at $112,901 in 2013. 2014 generated $110,143, $2,758 less than in 2013 or a 2% decrease. Little has been done to revise the fee schedule under which license and permits revenue is collected except with the cable TV franchise fee. A new franchise agreement was recently renegotiated and includes new and additional fees the City is expected to receive. The majority of revenue received is attributable to the cable TV franchise fee.

Interest, Rents and Royalties: This revenue source generated a modest amount of money for the City from a low of $21,071 in 2010 to a high of $89,949 in 2007 with intervening amounts received in between. The amount generated in 2014 is $28,357 or an increase of 16% over 2013 ($23,692). More was generated in rents than interest earnings given the current environment of very low interest rates.

Fines and Forfeits: This revenue source generated a moderate and recurring amount of money over the eight year recovery period under review. Revenue was the lowest in 2011 at $53,677 and peaked in 2009 at $60,972 with intervening amounts received in between. Revenue received in 2014 is $48,450 or a decrease of 13% over 2013 ($55,742).

Intergovernmental Revenue: Money from this source over the eight year recovery period under review fluctuated from a low of $116,159 in 2013 to a high of $391,314 in 2007 with intervening amounts received in between. 2014 revenue received is $155,148 or an increase of $38,989 or 25% over 2013. Other intergovernmental revenue received by the City from the Commonwealth is normally recurring on an annual basis.

Charges for Service: This revenue source is mainly derived from the municipal service fee (refuse/recycling collection) the City levies on residential property owners at a rate of $144/year. Charges for Service also include sewer user charges. The municipal service fee is $132/year when paid during the discount period. Combined receipts range from a low of $257,353 in 2013 to a high of $1,379,541 in 2007 with varying amounts received in between. The municipal service fee is supposed to cover the cost of the third party contract for collection service. However, the City's general fund subsidizes the cost of refuse collection because the collection rate of the fee does not rise to the level of recouping all costs incurred. As of 2012, Clairton is no longer responsible for the sewer system ending collection of user charges as a result of the sale of the sewer system to the Clairton Municipal Authority.

Unclassified Operating Revenue: This source of revenue includes non-recurring funds not recorded elsewhere in the accounting system and contributions and donations from private sources. Revenue received over the eight year recovery period fluctuate from a low of $0 in 2007 to a high of $98,311 in 2011 with intervening amounts ranging from $3,810 in 2009 to $38,497 in 2013. Revenue in 2014 is $30,581.

Other Financing Sources: This revenue source includes non-recurring receipt of funds, for example, from the sale of surplus/obsolete property and refunds of prior year expenditures. The amount of revenue received over the eight year recovery period varies from $96 in 2007 to a high of $5,312,046 in 2012 with intervening amounts ranging from $247,391 in 2009 to $838,862 in 2013. Revenue received in 2014 is $534,821. Referencing the 2012 DCED Annual Audit & Financial report, the large number of $5,312,046 above includes: Under Other Financing Sources, General Fund, revenues from Proceeds of General Fixed Asset Disposition of $300,126; Inter-fund Operating Transfers of $31,638; and Refunds of Prior Year Expenditures of $37,034 equaling $368,798. Under Special Revenue, there are revenues from Inter-fund Operating Transfers of $167,405; Under Capital Projects Fund there is revenue from Proceeds of General Fixed Asset Disposition of $1,427,708 which represents an initial payment received from the Clairton Municipal Authority for the purchase of City sewer lines/system in 2012.

In addition, an Inter-fund operating transfer of $1,587,708 for payment of a PennVest loan used to make improvements to the sewer system during the period in which the City still owned the sewer system under a DEP consent order. Under Enterprise Fund, there are revenues from Inter-fund Operating Transfers of $1,760,427. Added all together brings the total amount under Other Finances Sources to $5,312,046.

Revenue Summary: Overall total revenues in the general fund during the eight year recovery period under review increased $832,942 or 20% between 2007 ($4,064,975) and 2013 ($5,376,638). Total revenue for 2014 is $4,470,721. The majority of the annual increases are from the local earned income, business privilege and local services taxes attributable to private contractors carrying out environmental improvements and productivity upgrades at the USX Corp. Clairton Coke Works facility. By 2013, tax sources make up 78% of total revenue. In 2014, tax sources make up 70% of total revenue. The major non-tax revenue source contributing to receipt of additional money is the municipal service fee for residential refuse/recycling collection which brought in 6% of total revenue in 2013. In 2014, revenue from the municipal service fee is $354,081.

Overall these increased revenues have provided the City with a healthy fund balance to continue to timely meet not only operating costs but also carry out capital improvements and purchases when needed rather than having to defer the outlay of funds because of an inability to pay.

EXPENDITURES

General Government – Administration: Spending levels over the eight year recovery period under review went from a high of $777,830 in 2007 to a low of $579,769 in 2011 moderating in 2013 in the amount of $535,044 with intervening amounts in intermittent years. The 2014 amount spent is $548,235. Overall spending decreased 35% by 2013 mainly because of furloughs and retirements and the City combining the manager and finance director position resulting in savings in salary, fringe benefits and pension costs as well as miscellaneous expenses in 2011 going forward. This category also includes auditing, legal, engineering and tax collection services as well as purchase of operating supplies and related costs.

Public Safety – Police: This department had spending over the eight year recovery period under review vary from a high of $885,184 in 2012 to a low of $761,930 in 2009 with intervening amounts in intermittent years. Overall police costs decreased $10,493 or 1% from 2007 ($878,350) – 2013 ($888,843) as a result of wages increases, healthcare insurance cost increases, hiring of additional part-time officers and clothing allowance, overtime pay and cost of fuel/maintenance/repairs of police vehicles. The 2014 amount is $1,008,336 or an increase of $119,493 or 13% over 2013. The greatest increase occurred between 2013 and 2014 of $119,493 or 13%. This is mainly because of wage increases, operating expenses and worker's compensation premiums arising from the shooting and permanent disability of a former Clairton police officer in 2012.

Public Safety – Fire: Year 2013 was the lowest amount of spending in the department at $82,578, compared to 2007 in which the City spent $162,730. The 2014 amount spent was $104,803, an increase of $22,225 or 27% over 2013. Back in 2007 the City employed a full-time paid fire chief with healthcare coverage provided by the City. The paid fire chief was furloughed for economic reasons in 2011. Other expenses paid by the City are for fuel, utilities, insurance and truck repair costs. The City is making payments on a new fire truck purchased in 2003 under a lease/purchase agreement over a 12 year period of approximately $60,366/year with the final payment due in 2015.

Planning and Zoning: This cost center spends a minimal amount of funds annually for code enforcement and building inspection activities employing a full-time person. Generally the amount of spending in this area was at a low of $45,781 in 2007 peaking in 2010 at $103,576 and moderating in intervening years in intermittent amounts with 2013 being at $59,507. The 2014 amount spent in planning and zoning is $66,895, an increase of $7,388 or 12% over 2013. In 2014, $22,018 was spent on third party services relative to the uniform construction code and code enforcement for commercial/industrial properties. Overall costs increased over the eight year recovery period under review by $43,132 or 94% and included salary, fringe benefits, healthcare benefit premiums and operating costs of the one-person department and third party service provider.

Public Works: Operating department costs peaked at $1,049,522 in 2007, fluctuating in varying lesser yearly amounts in intervening years and costing $879,753 in 2013. Costs decreased from 2007 to 2013 by $169,769 or 16%. The amount spent in 2014 was $800,764. The relatively similar spending levels between 2007 and 2014 are the result of ongoing operating costs such as wages for the same number of full-time employees, healthcare benefit premiums, liability insurance costs including worker's compensation, refuse collection, fuel/maintenance/repair of vehicles/equipment/facilities and other related expenses such as employing seasonal workers.

Sewage: The City of Clairton sold its sewer system to the Clairton Municipal Authority in 2012 for $9.7 million with the distribution of sale proceeds of $407,737/year to the City scheduled to be paid over a twenty-five year period. Of the $407,737 received annually, the City appropriates the total amount into the general fund to pay for public works employee wages that were formerly paid out of the sewer fund when work was done by public works employees on the sewer system. Any residual funds in the sewer fund prior to the sale will be transferred into the capital reserve fund now that the City no longer has any responsibility or obligation for the sewer system. The City, however, is continuing to pursue collection of delinquent accounts for fees owed prior to the sale to the Clairton Municipal Authority. Rarely did annual user charges cover the cost of the bulk rate paid to the Clairton Municipal Authority for treatment as well as maintaining/repairing the sewer system during the time Clairton owned and operated it. Thus, the City will no longer need to subsidize this cost from the General Fund.

Parks and Recreation: This category peaked at $312,279 in 2007 while hitting a low of $126,589 in 2013 with amounts in intervening years being less than in 2007. Costs decreased by $185,690 or 59% between 2007 and 2013. Spending in 2014 was $127,171. Costs are primarily for the operation of the swimming pool during the summer and include paying for lifeguards, water usage, chemicals, utilities, maintenance/repairs and liability insurance.

Community Development: A negligible amount of funds has been appropriated. Normally the City has utilized the capital reserve fund for various community development projects. Spending ranged from a low of $2,500 in 2009 to a high of $88,821 in 2007 for years 2007 – 2011.

Debt Service: Payment of principal and interest represents a very low percent of expenditures. In 2007, $111,564 was expended while in 2013 of $98,891 was expended for a decrease of $12,673 or 11%. In 2014, debt service decreased to $60,388 or $38,503 or 39% less. During the intervening years higher and lower amounts were being paid intermittently peaking at $313,316 in 2010. The main debt service payment over the eight year recovery period is the approximately $66,000 annual payment toward the new fire truck the City purchased in 2003 with final payment in 2015. Other debt service obligations include lease payments on a police vehicle and a piece of public works equipment both of which will be paid off in 2015.

Insurance: This category includes all of the liability, auto, fire, worker's compensation and bonding insurance coverage paid by the City annually. The cost of insurance was at its lowest during the eight year recovery period in 2007 at $209,006 with a peak in 2012 of $414,266 or a $205,260 or 50% increase. 2013 moderated at $361,937 with lesser amounts being incurred in intervening amounts in intermittent years. The amount spent in 2014 is $308,305 or $53,632 or 15% less.

Other Financing Uses/Transfers: This category includes items such as refund of prior year revenue, inter-fund operating transfers and use of borrowed funds. Amounts vary from $162 in 2007 to the highest level in 2012 of $3,549,913 or an increase of $3,549,751 with intervening amounts all less than the 2012 amount. For 2014, Other financing uses are $912,671 which include $908,341 in inter-fund transfers and $4,330 in refund of prior year revenues.

In 2012 the City received a portion of the proceeds from the sale of the sewer system to the Clairton Municipal Authority. Upon receipt, the City transferred the funds into the capital reserve fund. It then used a portion of the funds to pay-off a PennVest loan used to comply with a DEP Consent Order to separate out storm water from sewage being conveyed for treatment to the Clairton Municipal Authority to greatly reduce and eliminate overflows. In addition Clairton City received a PennVest loan to carry out the work of separating storm water from sewage to reduce/eliminate overflows going into the treatment plant. The PennVest loan of $1.4 million was paid in full in 2013.

Expenditure Summary: Total general fund spending over the eight year recovery period under review ranged from a low of $3,239,561 in 2013 to a high of $7,717,485 in 2012 or decrease of $4,477,924 or 58%. Total expenditures in 2014 were $4,102,498, an increase of $862,937 or 27% over 2013. Overall annual reductions in total spending is a result of furloughs and in the case of retirements the City not replacing the person with a full-time employee, transfer of employees (4) to the municipal authority as a result of the sale of the sewer system, combining of the manager and finance director positions to save on salary, healthcare benefit restructuring, employee cost-sharing of healthcare benefits and limiting wage increases to the approximate level of the annual consumer price index.

Over the eight year recovery period under review the City experienced operating deficits in 2007 (-$642,433), 2008 (-$243,400), 2009 (-$232,919) and 2010 (-$51,358). Operating deficits ended in 2011 with a positive operating position of $675,769 in 2011, $2,602,320 in 2012 and $2,137,077 in 2013 in which budgeted revenue exceeded expenditures. For 2014, the City's operating position was $368,223. During the years of operating deficits the City's former manager did not institute cost containment measures.

After the former manager was terminated by Council the City engaged an interim manager with municipal finance experience and expertise to rebuild the City's financial management system while a formal manager selection process was undertaken with assistance from the Act 47 Coordinator. In the meantime, the manager and finance director positions were combined for economic reasons. With the appointment of a new manager/finance director the City's financial management system was improved with better budgetary oversight and monitoring of spending. In addition, the City purchased and installed a new computerized financial management system in 2013 to replace the outdated and dysfunctional computer system that was in place for over a decade with limited software and hardware upgrades being made.

As a result and with a reduction in finance office staff because of retirements and staff transfers to the Clairton Municipal Authority, the City began to contract out to the private sector work that was originally done in-house such as billing of current real estate taxes and current refuse collection billing, delinquent real estate tax collection, current and delinquent local services tax collection, and mercantile and business privilege tax collection. Most of the third party tax collection responsibilities are being carried out jointly with the school district in which the same collector is appointed where the same taxes are levied. This includes the recently consolidated earned income tax collection system (Act 32 of 2008 – amendment to Act 511 of 1965). Third party tax collection has resulted in increased revenue because of consolidating the tax collection process for both current and delinquent taxes and by carrying out the collection process cooperatively with the school district.

Personnel costs are the largest component of the annual operating budget and City management must work to control these salary and fringe benefit costs. Current manpower within all City departments appears to be sufficient to meet the service delivery needs of the municipality. Seasonal (part-time) increases in the number of employees occur in the public works department and in the summer operation of the swimming pool for a three-month period. Full-time police personnel are supplemented through the use of part-time police. There should be no instances in which the City is confronted with uncontrolled overtime costs when a full complement of part-time police officers is available from which to select.

A majority of the City's operating costs include wages/salary and employee benefits. Therefore, control over personnel costs is essential for the City to continue to operate on solid financial grounds. The City currently has three collective bargaining employee units/groups represented by Teamster's Local Union No. 205. While the City recognizes contracts with the Union are subject to the collective bargaining process as outlined in Pennsylvania Act 111 of 1968 (police) and Act 195 of 1970 (non-uniformed employees), all parties need to recognize and work within the fiscal limitations and constraints of the City. The recently negotiated collective bargaining agreements with Local Union No. 205 resulted in a balanced comprehensive contract incorporating continued cost containment provisions as they pertain to wage increases, employee cost-sharing of healthcare insurance benefits, paid time-off benefits and two-tier wage and benefit structure for new hires relative to the three collective bargaining units (police, public works & clerical).

In future negotiations with the Union, including police negotiations, the City should target an overall dollar threshold amount or parameter that will allow it to achieve and maintain fiscal stability. Issues such as wages, changes in work hours, employee cost-sharing on healthcare insurance benefits, changes in pension benefits, etc. should be resolved through the collective bargaining process as long as the overall cost of the agreements is consistent with the ability to pay and service delivery needs of Clairton.

END OF DEPENDENCY ON HIGHER EARNED INCOME TAX LEVIED UNDER AUTHORITY OF ACT 47 OF 1987, AS AMENDED

The various recovery plans made recommendations to increase the levy not only on the resident earned income tax but also on non-residents who work in Clairton but live elsewhere. Beginning in 1989, in the initial recovery plan, the City increased the earned income tax rate on residents and non-residents as provided in the table below:

EARNED INCOME TAX RATES
LEVIED UNDER AUTHORITY OF ACT 47 OF 1987, AS AMENDED
ON RESIDENTS AND NON-RESIDENTS OF CLAIRTON

YEAR	*RESIDENT RATE	NON-RESIDENT RATE
1988	1.0% (Levied Under Act 511)	
1989	1.50%	1.50%
1990	1.50%	1.50%

1991	1.50%	1.50%
1992	1.50%	1.50%
1993	1.80%	1.75%
1994	1.80%	1.725%
1995	1.65%	1.35%
1996	1.50%	1.30%
1997	1.475%	1.275%
1998	1.455%	1.25%
1999	1.425%	1.225%
2000	1.425%	1.10%
2001	1.425%	1.0% (Levied Under Act 511)
2002	1.40%	1.0% (Levied Under Act 511)
2003	1.37%	1.0% (Levied Under Act 511)
2004	1.30%	1.0% (Levied Under Act 511)
2005	1.20%	1.0% (Levied Under Act 511)
2006	1.10%	1.0% (Levied Under Act 511)
2007	1.0% (Levied Under Act 511)	1.0% (Levied Under Act 511)
2008	1.0% (Levied Under Act 511)	1.0% (Levied Under Act 511)
2009	1.0% (Levied Under Act 511)	1.0% (Levied Under Act 511)
2010	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)
2011	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)
2012	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)
2013	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)
2014	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)
2015	1.5% (Levied Under Home Rule Charter)	1.0% (Levied Under Act 511)

* Note: Includes Clairton City School District earned income tax rate of .5%.

The above table indicates that as of January 1, 2001 the City eliminated the non-resident earned income tax rate under authority of Act 47 of 1987, as amended. Effective January 1, 2007, Clairton eliminated the resident earned income tax rate under authority of Act 47 of 1987, as amended. In 2010 City Council increased the rate on the local earned income tax to 1% (levied under authority of the Clairton Home Rule Charter) from .5% (levied under authority of Act 511) as a result of voter referendum approval in 2009 to amend the Clairton home rule charter permitting an increase in the rate cap to 2% on residents only. Currently Clairton is no longer dependent on extraordinary revenue-raising measures under authority of Act 47 to tax resident and non-resident income at a higher rate. Clairton City is now using its own authority under its adopted home rule charter to generate additional revenue from the local earned income tax and thus, makes it an eligible candidate to exit the Act 47 program.

REVENUE, EXPENDITURES AND FUND EQUITY ANALYSIS

At the time the City of Clairton was declared a distressed municipality in 1988, the operating deficit was $681,809. As part of the recommendations of the original recovery plan the emergency loan provided by the Department shortly after the distress determination was made was converted to a long-term obligation that the City has since repaid. With the implementation of the recovery plan recommendations, the City experienced a fluctuation of both a positive and negative year-end fund equity position respectively with surpluses and deficits intermittently throughout the entire recovery period.

During the initial and subsequent phases of the recovery plan, property tax revenue was performing poorly with a collection rate between 80% – 85%. This pattern continued throughout most of the recovery period until the City aggressively addressed the validity and reliability of the real estate tax duplicate database on not only properties that were tax delinquent with no foreseeable likelihood of the obligation being paid, but also on blighted/abandoned parcels that the City had taken over ownership and returning them to the tax duplicate as privately owned and taxable. The City has made progress on cleaning up the inaccuracies in the tax duplicate to provide a more current and complete listing of actual taxable properties that has resulted in a higher collection rate for property taxes achieving a collection rate in the high 80% range.

During most of the recovery period the City employed extraordinary revenue-raising measures through the imposition of a higher EIT rate on resident and non-resident under authority of Act 47 of 1987. However in 2001 the City eliminated the Act 47 rate on non-resident earned income and in 2007 on the resident earned income tax rate. During this period the additional revenue generated through the higher rates on earned income compensated for the low real estate tax collection rate. The lowering and eventual elimination of the resident and non-resident earned income taxes occurred simultaneously with the improved property tax collection rate. Also the county-wide sales tax allocation received monthly starting in 1994 through the Regional Asset District provided new and recurring revenue that contributed to the City's ability to operate as the tax base remained stagnant.

During the recovery period year-end fund equity vacillated from a high deficit balance of (-$286,558) in 2007 to a high positive balance of $4,200,148 in 2013. In 2014 the year-end equity position was $4,568,371 or an increase of $368,223 or 9% increase over 2013. Cost containment through furloughs and retirements as well as replacing separated full-time employees with part-time staff reduced personnel costs and contributed to a steady improvement in fund equity over the last four years. Moreover greater revenue collection of the local earned income, local services and mercantile/business privilege taxes resulted in healthy year-end financial positions since 2010. The table below illustrates changes in year-end fund equity/balance for the recovery period of 1987-2014.

CHANGES IN YEAR-END FUND EQUITY
1987 – 2014

YEAR	*END OF YEAR FUND BALANCE	PERCENT CHANGE FROM PRIOR YEAR
1987	(-$49,237)	
1988	$250,361	20%
1989	$147,068	(41%)
1990	$213,298	31%
1991	$329,844	35%
1992	$506,506	35%
1993	$531,112	5%
1994	$796,188	33%
1995	$745,821	(6%)
1996	$567,116	(24%)

1997	$457,027	(19%)
1998	$456,205	(.1%)
1999	$459,183	6%
2000	$459,183	0
2001	$474,740	3%
2002	$416,697	(12%)
2003	$418,610	(.4%)
2004	$415,141	(.8%)
2005	$476,861	13%
2006	$565,406	16%
2007	$278,848	(49%)
2008	$209,737	(25%)
2009	$126,670	(40%)
2010	$165,127	23%
2011	$1,188,553	86%
2012	$2,063,071	58%
2013	$4,200,148	51%
2014	$4,568,371	9%

*Note: Includes General Fund figures only.

During the twenty-seven year recovery period of 1988 – 2015 the City experienced a positive fund equity position in seventeen of those twenty-seven years while conversely experiencing a negative fund equity position in ten of the years. The City's success in generating revenue in excess of expenditures and achieving a positive fund balance during the 1988 – 2006 was attributable mostly to revenue received from a higher earned income tax rate levied under Act 47 on both residents and non-residents. As the local earned income tax rate decreased in subsequent years the City lessened and ultimately ended its dependency on the extraordinary revenue received under Act 47. Since 2010 the City has levied a higher rate on earned income on residents only under authority of its home rule charter. For years 2011 – 2014 the City experienced the highest year-end fund equity position ever since the City entered the Act 47 program in 1988.

The table below illustrates the City's revenue/expenditure trends for 1987 – 2015.

REVENUE AND EXPENDITURE TRENDS
1987 – 2015

YEAR	REVENUES	OTHER FINANCING SOURCES	TOTAL AVAILABLE	EXPENDITURES	OTHER FINANCING USES	TOTAL EXPENDITURES	EXCESS/(DEFICIT) REVENUES OVER EXPENDITURES
1987	$1,671,562	$173,930	$1,845,492	$1,830,387	$ 64,342	$1,894,729	$ (49,237)
1988	1,521,221	856,677	2,377,898	1,895,693	182,936	2,078,629	299,269
1989	1,873,451	142,603	2,016,054	1,991,673	127,674	2,119,347	(103,293)
1990	2,429,331	31,949	2,461,280	2,039,066	319,005	2,358,071	103,209
1991	2,493,064	130,730	2,623,794	1,806,953	742,325	2,549,278	74,516
1992	2,422,718	144,319	2,567,037	1,958,122	441,722	2,399,844	167,193
1993	2,655,531	41,742	2,697,273	2,222,667	450,000	2,672,667	24,606
1994	2,897,097	62	2,807,159	2,258,544	533,000	2,791,544	15,615
1995	3,130,740	32,161	3,162,901	2,773,608	520,000	3,293,608	(130,707)
1996	3,146,369	628	3,146,997	2,695,542	475,000	3,170,542	(23,545)
1997	3,059,263	27,336	3,086,599	2,744,237	350,000	3,094,237	7,638
1998	3,143,627	3,917	3,147,544	2,400,283	376,000	2,776,283	371,261
1999	3,299,727	169	3,299,896	2,879,971	416,947	3,296,918	2,978
2000	3,069,754	12,222	3,081,976	2,772,171	309,805	3,081,976	-0-
2001	2,884,746	3,364	2,888,110	2,870,708	1,387	2,872,095	16,015
2002	2,836,819	10,392	2,847,211	2,905,254	278	2,905,532	(58,321)
2003	2,828,585	19,290	2,847,875	2,836,557	9,405	2,845,962	1,913
2004	2,884,447	15,512	2,899,959	2,888,202	15,226	2,903,428	(3,469)
2005	2,941,334	1,398	2,942,732	2,875,395	5,617	2,881,012	61,720
2006	3,001,952	5,397	3,007,349	2,918,804	---	2,918,804	88,545
2007	2,770,144	96	2,770,240	3,056,636	162	3,056,798	(286,558)
2008	2,756,770	162,453	2,919,223	2,888,870	99,464	2,988,334	(69,111)
2009	2,674,280	60,206	2,734,486	2,720,831	96,722	2,817,553	(83,067)
2010	2,862,628	233,712	3,096,340	2,887,221	170,662	3,057,883	38,457
2011	3,619,052	233,300	3,852,352	2,633,410	195,516	2,828,926	1,023,426
2012	3,911,265	368,798	4,280,063	2,905,885	167,440	3,073,325	1,206,738
2013	4,537,776	838,862	5,376,638	3,058,161	181,400	3,239,561	2,137,077
2014	3,935,900	534,821	4,470,721	3,189,827	912,671	4,102,498	368,223
2015	3,983,403 (Unaudited/Budgeted)	416,237	4,399,640	3,589,640	810,000	4,399,640	-0-

Note: Includes General Fund figures only.

Overall changes in year-end fund balance during initial and subsequent recovery plan periods of 1987 – 2015 seem to indicate an improved financial operating position. The City was able to increase its year-end fund balance from a deficit in 1987 of (-$49,237) to its highest year-end surplus of $4,200,148 in 2013 with fluctuating positive and negative fund balances during intervening years. The changes in year-end fund balance for 2010 through 2014 are consistently positive and relatively stable and predictable while being at their all-time high.

Current cash flow projections for not only 2015 but also in prior years 2012, 2013 and 2014 indicate that revenues were above budgeted projections and expenditures below budgetary projections. The City is expected again to generate a budgetary surplus in 2015. It should also continue the practice of transferring a reasonable amount of funds into the capital reserve fund to meet current and future anticipated needs.

The following table provides a summary of revenue/expenditures during the 2007 – 2015 timeframe as well as identifies financial projections through 2020. Assumptions underlying the financial projections for 2015 – 2020 are based on all tax rates and fees for service remaining at their existing level as set in 2015. Personnel and non-personnel costs are projected to increase overall by approximately three percent (3%) annually.

REVENUE/EXPENDITURE SUMMARY
BY ACCOUNT CATEGORY
2007 - 2020
(General, Liquid Fuels, Capital Projects & Enterprise Funds)

	2007	2008	2009	2010	2011	2012	2013	2014
REVENUE	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	$	$	$	$	$	$	$	$
Real Estate Taxes	863,343	911,156	907,411	1,029,542	1,222,299	1,259,674	1,160,937	1,342,501
Real Estate Transfer Tax	21,728	17,706	15,016	17,657	15,459	22,654	10,383	14,383
Earned Income Tax	483,694	429,507	366,543	359,108	598,101	816,239	946,956	911,326
Local Services Tax	105,145	84,938	78,139	84,558	93,869	93,171	168,623	100,270
Business Gross Receipts Tax	108,619	169,010	225,655	235,273	287,251	587,245	1,174,433	247,761
Mechanical Devices Tax	38,400	26,600	24,650	23,000	19,100	11,100	12,950	21,400
County Sales Tax-RAD	421,331	411,484	403,469	393,018	403,818	367,008	459,150	512,596
Licenses & Permits	100,081	105,655	116,926	111,550	115,127	113,530	112,901	110,143
Fines & Forfeits	56,734	60,292	60,972	58,025	53,677	60,641	55,742	48,450
Interest, Rents & Royalties	89,949	52,323	33,622	21,071	21,474	32,524	24,079	28,357
Intergovernmental Revenue	391,314	269,802	256,825	297,756	374,195	263,970	299,877	155,148
Charges for Services	1,379,541	1,333,194	1,256,247	1,358,945	1,328,899	1,348,257	264,744	412,984
Unclassified Operating Revenue	0	33,034	3,810	11,868	98,311	31,746	57,265	30,581
Other Financing	96	323,909	247,391	404,374	420,309	5,312,046	1,000,762	534,821

Sources								
TOTAL REVENUES	4,059,975	4,228,610	3,996,676	4,405,745	5,051,889	10,319,805	5,748,802	4,470,721
EXPENDITURES								
General Government Administration	777,830	681,253	626,588	607,045	575,769	580,573	605,772	548,235
Police	882,730	839,256	761,930	785,042	772,964	885,184	1,126,794	1,008,336
Fire	162,790	146,811	131,231	146,317	120,273	80,570	95,040	104,803
Planning & Zoning	45,781	48,100	50,591	103,576	54,357	52,272	81,834	88,913
Public Works	695,771	854,638	848,087	891,918	554,169	955,425	1,154,989	800,764
Sewage	1,066,923	1,052,698	1,046,476	993,416	1,039,755	851,573	98,432	0
Parks & Recreation	312,279	231,560	255,116	203,889	184,677	158,544	164,824	127,171
Community Development	0	3,282	2,500	3,000	4,000	0	0	0
Debt Service	111,564	106,915	101,880	313,316	272,718	139,427	98,891	60,388
Insurance	209,006	258,033	246,518	235,922	329,702	414,266	422,626	451,217
Other Financing Uses/Transfers	162	249,464	156,822	170,662	253,751	3,539,913	550,732	912,671
TOTAL EXPENDITURES	4,264,836	4,472,010	4,227,739	4,454,103	4,162,135	7,657,747	4,304,894	4,102,498
EXCESS/(DEFICIT) OF REVENUES OVER EXPENDITURES	(204,861)	(243,400)	(231,063)	(48,358)	889,754	2,662,058	1,443,908	329,522
FUND BALANCE	1,947,236	1,703,836	1,470,739	1,422,381	2,104,180	4,198,691	5,633,784	4,568,371

	2015	2016	2017	2018	2019	2020
REVENUE	Budgeted	Projected	Projected	Projected	Projected	Projected
	$	$	$	$	$	$
Real Estate Taxes	1,160,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Real Estate Transfer Tax	15,000	15,000	15,000	15,000	15,000	15,000
Earned Income Tax	615,000	900,000	925,000	950,000	975,000	1,000,000
Local Services Tax	80,000	80,000	85,000	85,000	85,000	87,000
Business Gross Receipts Tax	268,000	225,000	230,000	230,000	230,000	230,000
Mechanical Devices Tax	15,000	15,000	15,000	15,000	15,000	15,000
County Sales Tax-RAD	450,000	450,000	475,000	490,000	500,000	510,000
Licenses & Permits	127,100	129,000	131,000	133,000	135,000	138,000
Fines & Forfeits	52,000	54,000	56,000	58,000	60,000	62,000
Interest, Rents & Royalties	21,000	23,000	25,000	27,000	30,000	32,000
Intergovernmental Revenue	160,803	125,000	125,000	125,000	125,000	130,000
Charges for Services	366,500	370,000	372,000	375,000	377,000	380,000
Unclassified Operating	3,000	3,000	3,000	3,000	3,000	3,000

Revenue						
Other Financing Sources	1,066,237	900,000	950,000	950,000	950,000	950,000
TOTAL REVENUES	4,399,640	4,289,000	4,407,000	4,456,000	4,500,000	4,552,000
EXPENDITURES						
General Government Administration	570,774	525,000	528,000	532,000	534,000	536,000
Police	1,154,723	1,281,000	1,391,000	1,427,000	1,463,000	1,504,000
Fire	100,000	90,000	90,000	90,000	90,000	90,000
Planning & Zoning	65,670	65,000	67,000	69,000	71,000	73,000
Public Works	907,808	800,000	803,000	806,000	808,000	811,000
Sewage	0	0	0	0	0	0
Parks & Recreation	165,909	150,000	150,000	150,000	150,000	150,000
Community Development	0	3,000	3,000	3,000	3,000	3,000
Debt Service	0	0	0	0	0	0
Insurance	584,756	475,000	475,000	479,000	481,000	485,000
Other Financing Uses/Transfers	850,000	900,000	900,000	900,000	900,000	900,000
TOTAL EXPENDITURES	4,399,640	4,289,000	4,407,000	4,456,000	4,500,000	4,552,000
EXCESS/(DEFICIT) OF REVENUES OVER EXPENDITURES	0	0	0	0	0	0
FUND BALANCE	3.0m Projected	2.0m Projected	2.0m Projected	2.0m Projected	2.0m Projected	2.0m Projected

Source: City of Clairton Annual Audit & Financial Reports; 2015 Adopted Annual Operating Budget.

As noted from the above table, overall actual revenues grew from $4,059,975 in 2007 to $4,335,856 in 2014, an increase of $275,881 or 7% during the eight- year recovery period under review. Total revenue was highest in 2012 at $10,319,805. The 7% increase in revenue during the eight-year period represents an average annual growth of almost 1%. Growth occurred in just about every major tax revenue source with the exception of the real estate transfer and mechanical devices taxes. Other revenue sources moderated over the same eight-year period. (City sewage user charge was eliminated because of sale of sewer system to Clairton Municipal Authority in 2012).

Real estate and earned income taxes represented 33% of overall revenue in 2007 and represent 50% in 2014. The business gross receipts taxes (mercantile and business privilege) also increased over the same period and represented $108,619 or 3% of overall revenue in 2007 and $247,761 or 6% in 2014. The 2013 revenue level of 41,174,433 is higher than in other years because of increased contractor work activity on the USX Steel Coke Works facility relative to making environmental improvements and plant productivity enhancements and upgrades. The City by 2014 achieved a reasonable balance not only among tax revenue sources but also between tax and non-tax revenues and this balance continues.

On the expenditure side the City has improved controlling operating costs during 2011 – 2014. In years 2007 – 2010 the City experienced operating deficits because of a lack of spending controls. The deficits decreased in each subsequent year from ($204,861) in 2007, ($243,400) in 2008, ($231,063) in 2009 to a low of ($48,358) in 2010. Starting in 2011, Clairton went from an operating deficit in 2010 to an operating surplus of $889,754. In 2012, the operating surplus was $2,662,058 or an increase of $1,772,304 or 200%. The operating surplus decreased to $1,443,908 or 46% in 2013. The operating surplus in 2014 is $368,223 and decreased by $1,075,685 or 26% over 2013.

In effect, while the City generated an operating surplus starting in 2011, overall expenditures went from $4,264,836 in 2007 to $4,102,498 in 2014 or a 4% decrease. Expenditures decreased in 2013 by $3,352,853 or 44% from 2012 ($7,657,747). Expenditures slightly increased by $162,338 or 4% from 2007 to 2014. The 2014 year-end operating surplus was approximately $368,223. This is in addition to the general fund cash balance the City is carrying as of year-end 2014 of $4,568,371.

The City must continue to diligently control expenditures. A future cause of concern is police department costs. Although they have generally remained steady or experienced small annual increases throughout the eight-year recovery period they could potentially begin to increase at a greater rate because of wage increases and other operating costs. Management of the police complement and the balance of full-time police officers versus part-time officers will be needed.

SECTION 4

FACTORS THAT LED TO DETERMINATION OF DISTRESS

At the time the City was designated a distressed municipality in 1988, Clairton had an operating deficit of $681,809. Prior year operating deficits resulted in the City not being able to make payroll on a number of occasions over a multi-year period. Clairton also had reached its legal limit in levying real estate taxes for general purposes (25 mills with up to 5 additional mills with annual court approval). This was primarily caused by successful ongoing property tax assessment appeals resulting in reduced values on the USX Corp. Clairton Coke Works plant facility. Over a fifteen year period from 1973 ($54,998,903) to 1988 ($26,094,168) total assessed value of taxable property of the USX Corp Clairton Coke Works facility decreased $28,904,735 or 47%. Over a fifteen year period Clairton lost almost half of its property tax base leading to payless paydays for employees on a number of occasions.

The results of the Department's Report on Consulting Fieldwork for the City of Clairton dated December 1987 recommended that the City be designated as a distressed municipality based upon the following Act 47 criteria being met:

4) The municipality has missed a payroll for thirty days.

11) The municipality 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.

Concerning Factor 4, the City did on seven different occasions during the years 1985 and 1986 miss a payroll for a period of thirty days or more. The pay periods, scheduled pay dates and actual pay dates are shown in the following table below:

PAY PERIOD	SCHEDULED PAY DATE	ACTUAL PAY DATE

Oct. 16-31, 1985	Nov. 5, 1985	Dec. 13, 1985
Nov. 16-30, 1985	Dec. 5, 1985	Jan. 17, 1986
Dec. 1-15, 1985	Dec. 20, 1985	Feb. 12, 1986
Jan. 1-15, 1986	Jan. 20, 1986	Mar. 7, 1986
Jan. 16-31, 1986	Feb. 5, 1986	Mar. 14, 1986
Feb. 1-15, 1986	Feb. 20, 1986	Mar. 21, 1986
Feb. 16-28, 1986	Mar. 5, 1986	Apr. 11, 1986

The City of Clairton has not missed a scheduled bimonthly payroll since being designated a distressed municipality in 1988.

With regard to Factor 11, the City experienced a decrease in a quantified level of municipal service from the preceding year which resulted from the City reaching its legal limit (25 mills with up to an additional 5 mills with annual court approval) in levying real estate taxes for general purposes. For example, the entire full-time police department was furloughed as of September 1985 because of a lack of money. The thirteen member police department was on continuous layoff status until 1992 when Clairton reestablished the department using part-time officers initially. In addition, the paid fire department was furloughed as of September 1985. However the firefighters returned to work as of January 1, 1986 and continued to work until reductions in the department occurred through attrition leading to a volunteer fire department being formed as of 1990. The volunteer department remains in place and continues to provide fire protection service to City residents and businesses.

In 1988, the Department's Report on Consulting Fieldwork also found erosion of the major tax sources regarding the property tax (schedule of assessed valuation, millage rate and collections from 1980-1987); earned income tax; occupation privilege tax; per capita tax; mercantile taxes; and business privilege tax which all indicated reduced collections over the eight year period. Moreover, Clairton experienced a reduction in staff/employee complement for the period 1979 (116 employees) – 1987 (25 employees) of approximately 78% or a loss of 91 staff in all operating departments (police, paid fire, crossing guards, public works, clerical and ambulance) prior to being designated a distressed municipality.

During the initial recovery period the City increased the complement of employees supported through receipt of additional revenue through a higher rate on the earned income tax of residents and non-residents and through increased collection of delinquent taxes/fees. However, the City in later years reduced the employee workforce either through voluntary retirements, attrition and/or furloughs as a result of the City's elimination of the higher EIT on residents and non-residents. As noted earlier in this report, the City began to levy a higher rate (1%) on the earned income tax of residents in 2010 under authority of the Clairton home rule charter.

Other factors identified in the Department's Report on Consulting Fieldwork that contributed to the City being designated a distressed municipality included the failure to comply with funding requirements established in Act 205 of 1984 where Clairton made its minimum municipal obligation (MMO) pension payment for 1986 after the December 31 deadline of that year.

In addition, the Department had to provide the City with a long-term loan of $285,000 in 1990 through Act 47 of 1987, as amended because of a lack of funds to pay into the fire pension plan that was significantly under-funded at the time as well as the police pension fund that was also severely underfunded at the time. After the Department provided the City with the loan for its fire pension plan the City from then on made its respective required pension payments (MMO) to the police and fire pension funds on a timely basis and maintained compliance with Act 205 of 1984.

Another factor contributing to the City's designation of financial distress in 1988 was reoccurring budget deficits. The Report noted that the City's year-end Accounts Payables disclosed the following unpaid obligations as of December 31 of the following years:

1984 $243,000

1985 $379,295

1986 $68,000

1987 $399,000 Projected

The City experienced operating deficits in some of the fiscal years during the recovery period in varying amounts ranging from a low of ($48,358) in 2010 to a high of ($243,400) in 2008. The City experienced year-end operating surpluses, however the last three years of 2011 – 2014 of $889,754, $2,662,058, $1,443,908 and $368,223 respectively. Year-end operating surpluses are expected to continue.

An additional factor leading to the City's designation of financial distress was the issue of cash flow and current payables. The Report projected that the City was going to end 1987 with approximately $399,000 in unpaid obligations. The most material of these obligations was real estate tax refunds (mainly owed to USX Corp on property tax assessment appeal), unpaid obligations to the City's pension funds and utility bills. A primary factor contributing to the City's inability to pay its obligations by year-end 1987 was that the City included in its budget a line item "Proceeds of Borrowing" that never materialized. The 1988 budget was further restricted by another reduction of approximately $4 million in real estate tax assessment reductions won by the USX Corp. on the Clairton Coke Works facility.

RESOLUTION OF FACTORS THAT LED TO DETERMINATION OF DISTRESS

Subchapter C.1, Duration of Distressed Status, Section 255.1 (c) of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) provides factors to consider for the Secretary of the Department of Community and Economic Development relative to whether substantial evidence supports an affirmative determination for each of the following factors to rescind the distressed status. In making this determination the Secretary shall consider whether:

1) Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act.
    a. Operating deficits have been eliminated. See REVENUE AND EXPENDITURE TRENDS 1987 – 2015 Table, Page 68; and

REVENUE/EXPENDITURE SUMMARY BY ACCOUNT CATEGORY Table, Page 70.

2) Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principal and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.
   a. The City previously retired its two Act 47 loans in 1995 and 1997 respectively. THE CITY CURRENTLY IS PAYING CAPITAL LEASE PAYMENTS ON THREE PUBLIC SAFETY VEHICLES (two police cars and one fire truck) WHICH WILL BE PAID OFF IN FULL IN 2015 TOTALLING $127,665. THE CITY HAS NO OTHER INDEBTEDNESS.
3) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.
   a. SEE PARAGRAPH BELOW. As to item 3 above, there are currently no outstanding claims or judgments against the City of Clairton that would place it in imminent jeopardy of financial default. The two unresolved actions against the City of Clairton as defendant deal with 1) a lawsuit filed by the mortgage holder of Century Town Homes, a privately-held, owned and operated housing complex for low-moderate income residents in which the mortgage company is challenging a provision in a city ordinance that requires the separation of water lines/meters for each dwelling unit. Currently the housing complex has one water main and meter to service every unit in which the complex pays one lump sum for bulk water service. The City is in the process of being removed as a defendant in the case and is advised the case will be dismissed as part of a Chapter 11 bankruptcy proceeding settlement involving Century Town Homes housing complex; and 2) City razed property that was tax delinquent and is being challenged by a property owner who claims he was never given Notice of Intent to condemn and demolish the structure, even though the City has record that the owner signed two certified letters acknowledging receipt of the Notice. There is a high likelihood the case will be dismissed.
4) The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining

agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after a termination of distress.

a. Future projections show that the City has sustainable revenue sources that should be adequate to meet ongoing operating expenditures and be able to provide efficient public safety and public works services for residents and businesses. SEE REVENUE/EXPENDITURE SUMMARY BY ACCOUNT CATEGORY Table, Page 70.

ACT 47 COORDINATOR'S RECOMMENDATION

As the Act 47 Coordinator for the City of Clairton it is my recommendation that the City's Act 47 distress status should be terminated. Progress made to date is primarily attributable to the City successfully implementing key recommendations of the initial recovery plan and subsequent amendments. In developing the recommendations of the various recovery plans, it was evident that the problems that led to distress were related more to an insufficient revenue base than Clairton's ability to control expenditures. Throughout the recovery period the City's plan not only took steps to enhance revenue but also to institute cost containment measures to right size the organization to match revenue and expenditures with the needs of the City. Even though the City ran operating deficits in governmental and proprietary funds for 2007 – 2010 ranging from ($204,861) in 2007 to ($48,358) in 2010, management was able to improve finances starting in 2011 with revenue exceeding expenditures by $889,754 in 2011; $2,662,058 in 2012; $1,443,908 in 2013; and $568,223 in 2014 respectively.

The current manager is conservative at projecting revenue and liberal when making appropriations in the annual budget. As a result, the performance of the annual operating budget led to positive and increasing year-end fund balances starting in 2011. The year-end fund balance has not only been stable annually but is also providing a source of monies for the City to transfer into the capital projects/reserve fund for capital purchases and improvements to carry out additional razing of blighted/abandoned/tax delinquent houses and other structures to induce redevelopment and private ownership. These monies have been coupled with the use of Community Development Block Grant (CDBG) funds to make improvements in low-to-moderate income areas of Clairton to address and get control of this negative element and foster revitalization.

Contributing to the success of the City's ability to generate healthy year-end fund balances and provide sufficient revenue for the health, safety and welfare of the community has been the economic activity taking place at the USX Corp Clairton Coke Works facility. Plant environmental and productivity improvements are being made by private contractors doing work on-site. As a result, stable local services and business privilege tax revenues are expected to continue into the foreseeable.

Another factor contributing to an increase in revenue for Clairton is the recently consolidated earned income tax (EIT) collection system instituted in 2012. The consolidation resulted in one tax officer receiving employee withholdings from employers remitting those monies to the City on a quarterly basis at a minimum. It also now requires all employers to withhold the tax on employees at place of employment irrespective of their home jurisdiction. Clairton has experienced a positive and growing level of revenue from the earned income tax under the new collection system. In the first year (2012) under the new consolidated collection system the City received $816,239. It received $946,956 in 2013. 2014 (Unaudited) EIT revenue was $967,024. This growth trend is expected to continue going forward or at a minimum will stabilize at comparable levels.

Until 2001, and 2006 respectively, revenue enhancement measures consisted of levying a higher earned income tax rate on residents and non-residents to adequately provide for the health, safety and welfare of the community. The service delivery system of police, public works, parks/recreation, volunteer fire and administration were being enhanced through gradual growth in manpower levels especially in the newly reestablished police department that was restarted in 1992 and at first only using part-time officers.

Another revenue source is the City's delinquent taxes/fees for real estate, earned income, local services, mercantile/business privilege, refuse collection and sewage (until 2013 when the City sold the sewer system to the Clairton Municipal Authority) that provided an unbudgeted windfall of money for a number of years during the recovery period. Delinquent collection efforts continue on a regular basis and still generate a material amount of money.

The City and Clairton City School District have engaged the services of the same third party tax collection agency/vendor to not only collect current tax revenue but also delinquent taxes levied by both taxing bodies. Both taxing bodies have engaged the same collector of the current and delinquent earned income tax to also collect the mercantile/business privilege taxes. The same collector is using the same database of businesses that are required to withhold the earned income tax of employees also to collect the gross receipts taxes from the same businesses.

The City has not yet made the decision to appoint the same collector for the collection of the local services tax of $52/year of which the school district receives $5 annually. Moreover, the City uses a third party mailing service to send out current real estate tax and refuse collection bills in which taxpayers/residents send payment directly to the City. Consequently the City no longer relies on current finance office staff to carry out this function primarily because of downsizing over the years leaving the complement at one full-time and one part-time employee.

An additional ongoing revenue source is the annual payment from the Clairton Municipal Authority to the City of $407,737/year. Annual payments are expected through 2037 (25 year payment period). The City normally receives the annual payment in the last quarter of the fiscal year which provides funds to pay fourth quarter bills on a timely basis when cash flow is low. It also provides funds at the end of the fiscal year as an unrestricted cash balance that can be transferred for reserve and/or capital purposes.

Also as a result of more accurate budget projections and appropriations utilized by the current manager instituting greater budget oversight and monitoring the City ended 2011-2013 with a strengthened and relatively sustainable unrestricted fund balance as noted earlier in this report. The current manager continues to institute sound financial management practices which has moved the City to the point where rescission of the distressed designation under Act 47 is recommended. It is felt that all factors that are to be considered by the Secretary of the Department of Community and Economic Development in making this determination have been met.

The City has retired both long-term loans provided by the Department in 1988 and 1990 respectively to meet unpaid operating expenses and to fund a delinquent fire pension plan obligation payment. In addition, the City no longer levies a higher earned income tax rate on residents (ended in 2007) and non-residents (ended in 2001) under authority of Act 47 of 1987, as amended. Replacement revenue is being generated through a higher earned income tax rate on residents only through the Clairton home rule charter which was amended in 2009 to increase the rate cap up to 2% on residents.

Moreover, the City increased the two-tier real estate tax millage rate in 2011 to 36 mills on land and 4.22 mills on improvements/structures from 28 mills and 2.22 mills respectively the prior year. In 2013, the City reduced the millage rate to 33 mills on land and 3.5 mills on improvements/structures to avoid a revenue windfall of greater than 105% of the amount generated in the prior year before the countywide reassessment took effect as required by law. The millage rate has remained at the 2013 level for 2014 and 2015.

Current Act 47 Coordinator monthly reports and recent annual audits indicate the City is exhibiting sound financial management practices, is on sound financial footing and that all operating fund deficits have been eliminated. Clairton continues to run a budget surplus and by all indications this will continue into the future. Monies are transferred to a capital reserve fund and employee benefits fund (payment of unused paid time-off to employee upon separation; temporary disability pay benefit for employees hurt with non-work related injury). The City continues to be current and timely on the payment of monthly bills, pension plan minimum municipal obligation payments and debt service obligations. The City has established a budget reserve fund for contingencies to use as a source of funding for a local cash match for grants and for the purpose of paying bills in the first and/or last few months of the fiscal year when cash flow is low. The commitment of the elected officials, manager and department heads over the most recent eight year recovery period to comply with the recommendations of the recovery plan should be commended.

The City of Clairton over the recovery period and specifically during the last four years (2011 – 2014) now has adequate and sustainable revenues to provide municipal services to taxpayers/residents/businesses and commuters on an ongoing basis. The City's improved tax base generates financial resources that not only foster fiscal integrity but also provide for the health, safety and welfare of their citizens. Also the City has not defaulted on any principal and interest payments (liabilities) when due throughout the entire recovery period nor missed a payroll.

In addition, Clairton is able to timely pay financial obligations to their employees (payroll), vendors and suppliers (accounts payable). Lastly the City instituted proper financial accounting, budgeting and taxing practices throughout the recovery period through the appointment of experienced and qualified finance directors, monthly generation of interim financial reports, annual budgets that are realistic. It has also not borrowed funds for operating purposes over the last 2 years and has installed a recent computer software/hardware financial management system upgrade in 2013 that was financed through the capital reserve fund.

Tax policy of the City is focused on continued redevelopment and revitalization of the tax base by having in place a two-tier real estate tax millage rate on land and buildings to foster development on large parcels of vacant industrial land. The City offers other economic/community development tools such as tax abatement opportunities, Treasurer Sale of tax delinquent properties to private ownership including a vacant property program and transferring tax delinquent property owned by the City to private concerns for development projects. The City has progressed to a point where it has the ability and capacity to operate independently of a recovery plan and DCED oversight through the Act 47 Coordinator.

While not all problems confronting the City have been totally alleviated Clairton now has more consistent sources of revenue streams to support more realistic and appropriate service levels. Managerial improvements now allow the City to strategically address those factors which led to the distress designation to not repeat them in the future. Property values appear to have stabilized now that the majority of property tax assessment appeals (including the USX appeal) from the 2013 assessed values have concluded. Revenue generated from work being done at the USX Corp Coke Works facility adds to a tax base that has stabilized and is now growing. Increases in collections from the consolidated earned income tax system are expected to continue and the City will continue to receive annual payments of $407,737 through 2037 from the sale of the City's sewer system to the Clairton Municipal Authority.

The City must remain committed to continue to provide the political and managerial leadership to address issues that arise and to maintain fiscal stability in the future. As an indication of the progress made to date in initial discussion relative to the 2016 annual operating budget, the Act 47 Coordinator recommends the City maintain tax rates, employee complement levels and service delivery systems currently in place in 2015 going forward.

In compliance with Subchapter C.1, Duration of Distressed Status, Section 255.1 (c) of Act 47 of 1987, as amended, it is the opinion of the Coordinator, Michael Foreman, Local Government Policy Specialist with the Department of Community and Economic Development, Center for Local Government Services that the conditions that led to the initial designation of distress status of the City of Clairton have not only been addressed but have also been alleviated. As a result, the distress status should be terminated.

Moreover the City of Clairton should have its distress designation terminated because the policy objectives of the Municipalities Financial Recovery Act (Act 47 of 1987, as amended) have been met. Section 102 (a) of Act 47 of 1987, as amended states the policy: "It is hereby declared to be a public policy of the Commonwealth to foster fiscal integrity of municipalities so that they 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 the proper financial accounting procedures, budgeting and taxing practices."

SECTION V

EXIT PLAN RECOMMENDATIONS

In making my recommendation to terminate the distress designation I recognize the importance of maintaining budgetary discipline and continuing to pursue the policies and practices that have allowed the City to reach and maintain fiscal stability. To that end, this section provides recommendations that the City of Clairton should follow as part of its normal operation to maintain a strong fiscal position and to continue to provide services in the most effective manner possible. This section will also include revisions to the latest recovery plan recommendations detailed in the plan amendment that now will become a part of the exit plan.

GENERAL GOVERNMENT ADMINISTRATION

1. The City should continue to follow the provisions of the Clairton Home Rule Charter regarding the appointment of a city manager based upon municipal executive and administrative experience and qualifications.

2. The City should continue to explore and pursue opportunities for increased intermunicipal cooperation and shared services in all areas of operation.

3. The City should continue the practice of selling all surplus and/or inoperative municipally owned vehicles, equipment and similar items no longer used or needed by the City through the sealed competitive bid process.

4. The City should continue to avail itself of interns who are studying public administration or a related field at local colleges/universities to carry out special projects.

5. The City should conduct, from time to time, an information technology assessment of the financial management computer hardware/software system to determine whether an upgrade is necessary for financial reporting and recordkeeping purposes and administrative functions.

6. The City should continue to implement a record retention and disposition program in accordance with the Municipal records Act of 1968, as amended.

7. Elected and appointed officials and employees should continue to enroll in training to improve job skills and performance, keep up-to-date on new technology and best practices and to not only improve policy and decision-making but also to enhance municipal service delivery.

8. The City should develop an employee policies and procedures manual including job descriptions and a performance evaluation system through the PA Department of Community and Economic Development, Governor's Center for Local Government Services, Peer Assistance Program.

FINANCIAL MANAGEMENT

1. The City should continue to contract out the collection of delinquent real estate and current and delinquent Act 511 tax collection responsibilities to a third party entity. The City should consider the appointment of the Act 32 local earned income tax collector (current and delinquent) for collection of other Act 511 taxes. In addition, the City should continue to contract out the mailing/billing of the current real estate tax and refuse collection fee.

2. The City should continue to monitor the fiscal impact of levying the two-tier real estate tax (separate rate on land/buildings) and annually reevaluate the real estate tax structure to determine the feasibility of continuing to levy a two-tier rate versus having a single rate as part of the annual budget development process.

3. The City should continue to levy an annual refuse collection fee to cover the cost of the refuse collection and recycling third party contract. In addition, it should continue to aggressively pursue collection of delinquent refuse collection fees.

4. The City Manager/Finance Director should continue to generate interim, monthly financial/budgetary performance reports to provide actual/budgeted revenue and expenditures by month and year-to-date to City Council within 30 days of the close of the month to monitor financial condition/position throughout the year and to make adjustments as necessary.

5. The City should continue to prepare, incorporate into the annual budget process, fund and implement and update annually a formal five-year capital improvement plan and budget.

6. The City should continue to implement a cash management and investment policy and program that will maximize safety, liquidity and return on investment income (yield).

7. The City should continue to fund the accrued vacation and sick leave pay liability with an annual allocation to the Employee Benefits Fund as a transfer from the general fund.

8. The City should continue to have employee healthcare benefits and property and casualty liability insurance coverage analyzed and evaluated by a third party, independent professional risk management consultant prior to the request for proposal (RFP) insurance renewal process.

9. The City should continue to meet pension plan payment obligations (minimum municipal obligation – MMO) in accordance with provisions of Act 205 of 1984, as amended and actuary reports.

10. The City should continue to place annual payments ($407,737) from the proceeds from the sale of the City sewer system to the Clairton Municipal Authority into the general fund to subsidize the cost of municipal operations.

POLICE

1. The City should maintain staffing levels in place as of January 1, 2015 for both full (10) and part-time (12) police officers including the full-time chief.

2. The City should have a police management and operational evaluation done through the PA Department of Community and Economic Development, Governor’s Center for Local Government Services, Peer Assistance Program to update the study done in 2002.

3. The police chief should continue to be actively involved in the annual budget process, monitoring of the budget and be fully accountable for the overall management of the police department.

4. The police chief should review and update the policy manual on an annual basis.

5. The police chief should, at a minimum, evaluate police officers on an annual basis.

6. Police officers should continue to participate in training to improve job skills and performance, keep up-to-date on new technology and best practices and enhance overall service delivery.

FIRE PROTECTION

1. The Clairton Volunteer Fire Department should continue to be a party to the mutual aid agreement with other volunteer fire companies of adjacent and surrounding municipalities through the Mon-Yough Fire defense Council.

2. The Clairton Volunteer Fire Department should continue to meet annually with the Manager/Finance Director and City Council to discuss and identify cost containment strategies to reduce the amount of the City's annual budgetary appropriation with a long-term goal of being more self-supporting. Both parties should collectively develop a multi-year transitional plan.

3. The Clairton Volunteer Fire Department ambulance service should continue to serve as primary provider of city-wide emergency medical services and should maintain formal mutual aid agreements with adjacent and surrounding municipalities to provide back-up.

PUBLIC WORKS

1. The City should maintain staffing levels in place as of January 1, 2015 for full-time (5) public works employees.

2. The City should have a public works management and operational evaluation done through the PA Department of Community and Economic Development, Governor's Center for Local Government Services, Peer Assistance Program to update the study done in 2003.

3. Public works employees should continue to attend training sessions in public works management/supervision, delivery of services and best practices to improve job skills and performance, keep up-to-date on new technology and best practices to enhance service delivery.

4. The City should continue to contract out all road work improvement projects other than general ongoing road maintenance and repair, snow removal/ice control, building/property maintenance and other minor maintenance responsibilities.

5. The City should continue to employ a limited number of part-time employees during spring/summer/fall months to perform seasonal and routine maintenance activities.

6. The City should implement a computerized work order system to track and respond to requests for work, complaints and inquiries from initiation to resolution.

7. The City should continue to explore and pursue opportunities to reduce the overall cost of street lighting where feasible.

8. The City should continue to have an energy conservation audit done to identify and implement opportunities to reduce the cost incurred for electricity and natural gas at least once every two-to-three years.

RECREATION

1. The City should continue to appropriate adequate funding for the care and maintenance of the swimming pool and other park facilities on an annual basis. In addition, the City should appropriate funds for recreational programs.

WORKFORCE AND COLLECTIVE BARGAINING

1. Continue to base all future annual wage/salary increases for all uniformed, non-uniformed and management-level employees on the consumer price index-all urban consumers or up to 3% annually, whichever is less.

2. A statement of overall cost limitations is provided below for 2016-2020 relative to union and management level employees as required under Act 47.

2016 – ADMINISTRATION (1 FT; 1PT)

Salary/Wages	$62,947
FICA	4,816
Healthcare	30,061 (Includes City Manager/Finance Director)
Workers' Compensation	630
TOTAL	$101,454

2016 – POLICE (10 FT – Includes Police Chief; PT 14,000 Hours)

Salary/Wages	$713,970
FICA	54,619
Healthcare	165,305
Workers' Compensation	142,295
TOTAL	$1,076,189

2016 – PUBLIC WORKS – (5 FT)

Salary/Wages	$205,235
FICA	15,701
Healthcare	82,653
Workers' Compensation	49,257
TOTAL	$352,846

2016 – CITY MANAGER/FINANCE DIRECTOR (1 FT)

Salary/Wages	$79,160
FICA	6,056
Healthcare	Included in Administration
Workers' Compensation	1,386
TOTAL	$86,602

2016 – CODE ENFORCEMENT (1 FT)

Salary/Wages	$45,926
FICA	3,513
Healthcare	16,531
Workers' Compensation	804
TOTAL	$66,774

2017 – ADMINISTRATION (1 FT; 1 PT)

Salary/Wages	$65,622
FICA	5,020
Healthcare	35,045 (Includes City Manager/Finance Director)
Workers' Compensation	722
TOTAL	$106,409

2017 – POLICE (10 FT Includes Police Chief; PT 14,000 Hours)

Salary/Wages	$736,589
FICA	56,349
Healthcare	175,224
Workers' Compensation	154,168
TOTAL	$1,122,330

2017 – PUBLIC WORKS (5 FT)

Salary/Wages	$210,434
FICA	16,098
Healthcare	87,612
Workers' Compensation	52,609
TOTAL	$366,753

2017 – CITY MANAGER/FINANCE DIRECTOR (1)

Salary/Wages	$79,160
FICA	6,056
Healthcare	Included in Administration
Workers' Compensation	1,457
TOTAL	$86,673

2017 – CODE ENFORCEMENT (1 FT)

Salary/Wages	$46,966
FICA	3,593
Healthcare	17,523
Workers' Compensation	865
TOTAL	$68,947

2018 – ADMINISTRATION (1 FT; 1 PT)

Salary/Wages	$67,304
FICA	5,149
Healthcare	37,148 (Includes City Manager/Finance Director)
Workers' Compensation	808
TOTAL	$110,409

2018 – POLICE (10 FT Includes Police Chief; PT 14,000 Hours)

Salary/Wages	$753,990
FICA	57,680
Healthcare	185,738
Workers' Compensation	165,727
TOTAL	$1,163,135

2018 – PUBLIC WORKS (5 FT)

Salary/Wages	$216,154
FICA	16,536
Healthcare	92,869
Workers' Compensation	56,200
TOTAL	$381,759

2018 – CITY MANAGER/FINANCE DIRECTOR (1)

Salary/Wages	$79,160
FICA	6,056
Healthcare	Included in Administration
Workers' Compensation	1,528
TOTAL	$86,744

2018 – CODE ENFORCEMENT (1 FT)

Salary/Wages	$48,006
FICA	3,673
Healthcare	18,574
Workers' Compensation	927
TOTAL	$71,180

2019 – ADMINISTRATION (1 FT; 1 PT)

Salary/Wages	$69,309
FICA	5,302
Healthcare	39,377 (Includes City Manager/Finance Director)
Workers' Compensation	901
TOTAL	$114,889

2019 – POLICE (10 FT Includes Police Chief; PT 14,000 Hours)

Salary/Wages	$776,458
FICA	59,399
Healthcare	196,882
Workers' Compensation	179,207
TOTAL	$1,211,946

2019 – PUBLIC WORKS (5 FT)

Salary/Wages	$221,875
FICA	16,974
Healthcare	98,441
Workers' Compensation	59,906
TOTAL	$397,196

2019 – CITY MANAGER/FINANCE DIRECTOR (1)

Salary/Wages	$79,160
FICA	6,056
Healthcare	Included in Administration
Workers’ Compensation	1,607
TOTAL	$86,823

2019 – CODE ENFORCEMENT (1 FT)

Salary/Wages	$49,046
FICA	3,752
Healthcare	19,689
Workers’ Compensation	996
TOTAL	$73,483

2020 – ADMINISTRATION (1 FT; 1 PT)

Salary/Wages	$71,386
FICA	5,461
Healthcare	41,739 (Includes City Manager/Finance Director)
Workers’ Compensation	999
TOTAL	$119,585

2020 – POLICE (10 FT Includes Police Chief; PT 14,000 Hours)

Salary/Wages	$799,827
FICA	61,187
Healthcare	208,695
Workers' Compensation	193,798
TOTAL	$1,263,507

2020 – PUBLIC WORKS (5 FT)

Salary/Wages	$227,594
FICA	17,411
Healthcare	104,348
Workers' Compensation	63,727
TOTAL	$413,080

2020 – CITY MANAGER/FINANCE DIRECTOR

Salary/Wages	$79,160
FICA	6,056
Healthcare	Included in Administration
Workers' Compensation	1,686
TOTAL	$86,902

2020 – CODE ENFORCEMENT (1 FT)

Salary/Wages	$50,086
FICA	3,832
Healthcare	20,870
Workers' Compensation	1,067
TOTAL	$75,855

WORKFORCE SALARY/WAGES, HEALTHCARE AND WORKERS' COMPENSATION PROJECTIONS/ASSUMPTIONS 2016-2020

For the 2016-2020 period covered above, projected salary/wage provisions are consistent with negotiated rate increases in the two non-uniformed employee collective bargaining agreements for 2014-2017, and the 2015-2018 uniformed (police) collective bargaining agreement with the City of Clairton.

Wage rate increases for 2018-2020 affecting non-uniformed employees are projected at 3% annually. Wage rate increases for 2019-2020 affecting police officers are projected at 3% annually including the police chief.

The City Manager/Finance Director salary for 2016-2020 remains consistent at the 2016 level. The Code Enforcement Officer salary increases at a rate of 2% annually for 2016-2020 as a management level employee.

Healthcare premiums are projected to increase at a rate of 6% annually for 2016-2020 for all employees. Workers' compensation rates are projected to increase an average of 11% annually over the 2016-2020 period.

COMMUNITY AND ECONOMIC DEVELOPMENT

1. The City should continue to implement provisions of the recently updated (2011) comprehensive plan and zoning regulations (2014) consistent with the adopted community development goals and standards.

2. The City should continue to support and strengthen code enforcement program activities including property maintenance and adopt code updates on a timely basis as necessary that are consistent with the enacted statewide uniform construction code (UCC). In addition, the City should continue to assure that the code enforcement officer remains current in the required certifications under the UCC to legally carry out inspections, issue permits and citations/enforcement actions and to make sure a portion of the permit fees are remitted to the PA Department of Community and Economic Development on a quarterly basis.

3. The City should continue to review and establish a reasonable fee schedule for all services rendered through the building inspection and code enforcement program to recover the cost of providing such service.

4. The City should implement the landlord/tenant registration program previously adopted by ordinance by City Council.

5. The City should continue to foster mixed-income housing and townhouse construction (own, rental, rent-to-own) at scattered sites throughout Clairton.

6. The City should continue to reuse vacant property for new housing construction, preferably single-family units to own, rent or rent-to-own.

7. The City should continue to hold an annual delinquent property tax sale (Treasurer's Sale) under the Third Class City Code to return blighted, abandoned and tax delinquent property back to the tax roll under private ownership resulting in housing rehabilitation and new construction or through the land bank being created by TRI-COG Collaborative.

8. The City should continue to raze unsafe structures not only using community development block grant (CDBG) funds but also city funds to accelerate its effort to confront blight, abandoned and tax delinquent properties throughout Clairton.

9. The City should continue to implement an annual demolition program based on where there is a threat to persons and property, the availability of funds including matching monies and whether it is part of Clairton's overall community development improvement strategy including implementation of its own vacant property program through the City's redevelopment authority.

10. The City should participate in the land bank initiative administered through the Steel Valley Council of Governments (SVCOG) should one be created.

11. The City should continue to participate in the regional enterprise program with the cities of McKeesport and Duquesne as part of an intergovernmental and regional approach to foster economic development. In addition, Clairton should continue to participate as an active and equal member of the regional enterprise zone advisory board under the recently enacted Intergovernmental Cooperation Transfer Agreement regarding the consolidated Revolving Loan Fund combining funds from all three individual enterprise zone revolving loan funds.

12. The City should continue to use the recently consolidated regional enterprise zone program revolving loan funds through the

Redevelopment Authority of the City of Duquesne to make low-interest loans available to viable new businesses or for expansion of existing viable businesses located in Clairton.

13. The City should continue to implement development initiatives that grow the tax base inside and outside the enterprise zone of Clairton.

14. The City should continue to work closely with the regional enterprise zone program consultant to foster economic development initiatives to attract/retain business, create jobs and maintain an environment conducive to revitalizing/reusing underutilized properties inside and outside of the enterprise zone of Clairton.

15. The City should continue to assist commercial business owners of the central business district and in the business district in the industrial area of Clairton with access to commercial development programs to stabilize the business district and expand the tax base.

16. The City should continue to cooperate with regional planning agencies such as the Southwestern PA Commission (SPC) and PennDot to advocate for City transportation priorities and needs and to provide input as projects are planned, financed and implemented.

17. The City should continue to advocate for improvements to key transportation systems such as two key state routes and major intersections.

18. The City should continue to implement a traffic signal system rehabilitation/replacement/modernization program schedule based upon safety, need/priority, timing and availability of funds.

19. The City should continue to fund and implement a street/road improvement and preventative maintenance program on an annual basis as part of its capital improvement plan and budget.

20. The City should continue to update and implement a multi-year adopted capital improvements program and to continue to appropriate funds to implement projects based upon safety, need/priority, timing, availability of funds.