

Municipal Financial Recovery Act

2014 – 2017 Recovery Plan Amendment

City of Duquesne, PA

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Introduction

In August 2013, The Novak Consulting Group (TNCG) and the Pennsylvania Economy League (PEL) began work as the Act 47 Coordinator/Team for the City of Duquesne. At the time of the appointment, the City was scheduled to adopt a Recovery Plan Amendment developed by the prior Act 47 Coordinator, Mr. Robert T. Callen. However, under advice from the Pennsylvania Department of Community and Economic Development (DCED), the adoption process was tabled to allow the newly appointed Recovery Plan Coordinators to complete a review of City operations and develop updated five-year financial projections to be included in the plan. This plan, therefore, represents an updated review of the City's financial position and the inclusion of new initiatives that will serve to support the City's exit from Act 47.

The City of Duquesne may be in a position to move out of the Act 47 program over the next five years. However, there are a number of critical initiatives that must be accomplished before that can happen. This report provides a detailed discussion of the City's recent financial history and projected financial condition and provides a number of initiatives that, if implemented, offer the best practical course of action to allow the City to exit the Act 47 program.

In addition, there are both external and internal conditions that must be met to make this possible. If these conditions are met, and critical initiatives implemented, the City will be viable and will no longer be dependent on an additional three tenths of a percent non-resident earned income tax (EIT) rate, or the additional eight tenths of a percent resident EIT rate that has been levied under Act 47. Those conditions are summarized below.

External Conditions

- Health care cost increases will moderate. Health insurance costs have been one of the biggest cost drivers in the City and are one of the largest impediments toward exiting the Act 47 program.
- The economy will continue to improve, bringing increases in employment and compensation.
- EIT revenue will continue to grow through EIT collection improvements through Pennsylvania Act 32.
- The major employers in the City will continue to provide employment and an average 10 jobs will be added per year.
- Continued redevelopment of the USX Duquesne Works commercial industrial site.
- The Duquesne City School District (DCSD) achieves progress toward implementing its Recovery Plan and exiting Receivership.

Internal Conditions

- There shall be no increases in full-time staff unless new staff can be supported entirely with new revenue sources.
- Wage and salary increases shall be within the rate of inflation.
- Departmental expenditures, excluding benefits, shall remain at 2013 budgeted levels in 2014 and increases in subsequent years shall be limited only to critical areas and then only within the rate of inflation.
- The City shall continue to seek savings in health insurance expenditures.
- Current revenue collections rates, particularly water fees and real estate taxes, shall be above 90 percent by 2015. The City shall implement measures to improve revenue collections rates.
- The City will eliminate General Fund support of the Water Fund by either eliminating the discrepancy between wholesale water costs and water fees collected, or by increasing water rates to fully cover expenses.

- The City achieves operational and financial efficiencies in the Police Department through: 1) police scheduling changes; 2) command officer staffing reductions, and/or; 3) the development of a multi-jurisdictional policing model.
- Real estate tax collections shall increase by one and one-half a percent a year through collection rate increases, reduced assessment appeals, and, as a last resort, millage increases.
- The gap between the City's pension obligations and state pension aid will not increase.

If these conditions cannot be met, the City's exit from the Act 47 program could be delayed and the City would remain in a distressed status.

The 2014 - 2017 Recovery Plan Initiatives section of this report contains both new initiatives, and initiatives from previous iterations of the City's Act 47 Recovery Plan that deserve priority attention. These initiatives offer the greatest opportunity to achieve both revenue growth and control expenditures. The 2014/2015 initiatives are intended to make it possible for the City to meet the internal conditions, as well as the ongoing expenses of government.

Attachment A provides a detailed status update for all prior plan initiatives. The City has implemented many prior initiatives; however, many have not been implemented and are still viable. These initiatives, which offer the potential for improvements in City operations, revenue growth, administrative processes, and other critical areas, provide a holistic framework for creating a sustainable, self-sufficient Duquesne.

Historical Financial Review

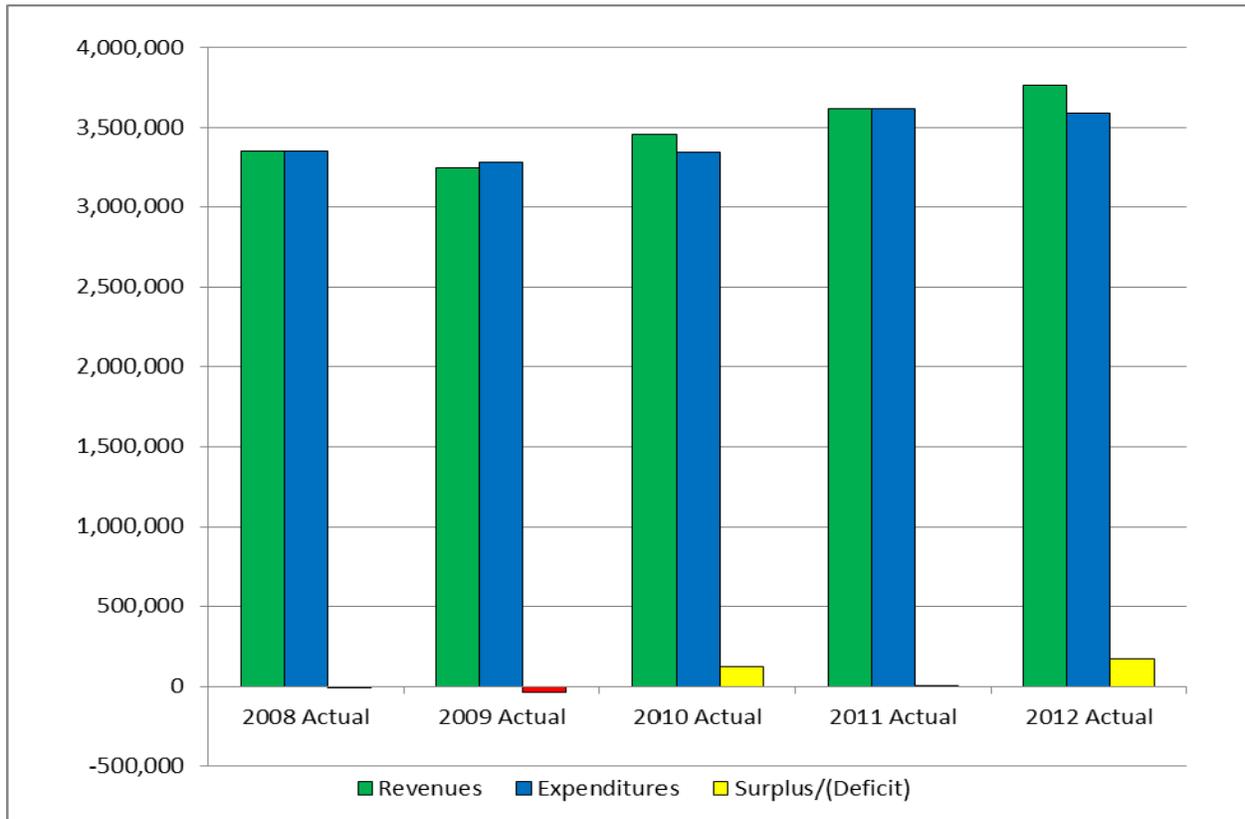
General Fund Revenues, Expenditures and Surplus/(Deficit)

The table and graphic below shows the fluctuations in the City of Duquesne's General Fund operating budget from 2008 through 2012, with shortfalls in 2008 and 2009 followed by varying surpluses in each of the next three years. The City ended 2012 with a surplus of \$174,044, the highest amount for the review period.

General Fund Surplus/(Deficit) City of Duquesne 2008 -2012

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2008-2012	
						\$	%
Revenues	\$3,343,669	\$3,246,431	\$3,456,084	\$3,616,531	\$3,757,609	413,940	12.4
Expenditures	3,344,813	3,283,108	3,336,821	3,612,701	3,583,565	238,751	7.1
Surplus/(Deficit)	-\$1,144	-\$36,677	\$119,263	\$3,830	\$174,044	175,189	-15,308.3

General Fund Surplus/(Deficit) City of Duquesne 2008 -2012



Revenue Review—2008 - 2012

As illustrated below, the City's total revenues grew by \$413,940 or 12.4 percent during the review period. Total revenues started at \$3.3 million in 2008, fell to \$3.2 million in 2009, and then steadily increased to just under \$3.8 million in 2012.

- The largest monetary increases were in non-resident EIT (\$133,908), Municipal Services Fees, (\$133,749), Sales Tax and Grants (\$77,890) and Miscellaneous (\$65,728).
- The growth in EIT revenue for 2012, particularly for Delinquent EIT, is attributed to changes associated with the Act 32 process and those increases are not expected to continue. (As of November 26, 2013 the City had collected \$749,837.97 in total EIT. For 2014, the City is budgeting total EIT at \$665,000.)
- The higher amounts collected in 2012 Municipal Services Fees are primarily related to refuse and recycling collection.
- The greatest absolute decreases were in Police & Security (\$45,596) and Taxes and Interest (\$25,559).
- Current year real estate taxes fell in 2012 by \$15,015 following a drop in assessments.
- Mercantile Tax decreased by \$12,502 or 26.6 percent.
- Licenses and Permits and Fines and Forfeits experienced substantial proportionate increases of 47.3 percent and 41.7 percent, respectively.
- Total tax revenue grew by \$172,850 or 9.4 percent, while Non-tax Revenue rose by \$241,909 or 16.1 percent.

General Fund Operating Revenues City of Duquesne 2008 - 2012

Revenue Category	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2008- 2012	
						\$	%
Current Year Real Estate	\$1,008,527	\$1,115,671	\$1,119,727	\$1,105,497	\$993,513	-15,015	-1.5
Prior Year Real Estate	30,426	26,284	29,096	47,216	42,014	11,588	38.1
Delinquent Real Estate	49,868	58,070	80,276	67,408	63,512	13,644	27.4
Liened Taxes Real Estate	16,441	17,350	15,575	23,646	37,247	20,806	126.5
Real Estate Transfer Tax	16,276	10,038	46,888	19,022	9,188	-7,088	-43.5
Earned Income Tax	392,289	321,806	330,055	384,278	412,707	20,418	5.2
Delinquent EIT	168,509	133,323	90,662	91,875	173,136	4,627	2.7
Non Resident EIT	67,996	50,450	54,624	40,126	201,904	133,908	196.9
Mercantile Tax	46,915	33,820	35,462	34,260	34,413	-12,502	-26.6
Local	49,705	49,845	49,570	75,259	52,169	2,464	5.0
Total Taxes	1,846,952	1,816,657	1,851,936	1,888,587	2,019,802	172,850	9.4
Licenses & Permits	66,962	59,701	84,506	100,177	94,895	27,933	41.7
Streets & Sewage	13,842	10,429	113,068	500	6,449	-7,393	-53.4
Fines & Forfeits	33,897	30,338	26,113	27,586	49,945	16,048	47.3
Tax & Interest	28,146	3,203	2,818	2,725	2,587	-25,559	-90.8
Police & Security	237,417	178,149	166,188	267,136	191,821	-45,596	-19.2
Sales Tax & Grants	557,060	592,640	637,824	672,551	634,950	77,890	14.0
Zoning	4,215	2,941	2,026	4,966	3,505	-710	-16.8
Municipal Service Fees	400,377	437,433	432,893	514,439	533,125	132,749	33.2
Miscellaneous	154,801	114,940	138,712	137,862	220,529	65,728	42.5
Non Tax Revenues	1,496,717	1,429,774	1,604,148	1,727,944	1,737,807	241,090	16.1
Total Revenues	\$3,343,669	\$3,246,431	\$3,456,084	\$3,616,531	\$3,757,609	413,940	12.4

Tax Rate Review—2008 - 2014

The table below illustrates tax rate changes made by the City in 2009.

- The EIT Resident rate was decreased from 1.17 percent to 1.15 percent.
- The Mechanical Devices rate was increased from \$450 to \$500.
- The Real Estate Millage Split Rate for Buildings was increased from 11.47 mills to 13.47 mills.
- All tax rates remained constant for the remainder of the period.

For 2013, the City lowered Real Estate Millage to 11.50 for Buildings and 18.50 mills for Land. These amounts were held constant for the 2014 Budget.

Municipal Tax Rates City of Duquesne 2008 - 2014

Tax	2008	2009	2010	2011	2012	2013	2014
Real Estate Split Rate Building (mills)	11.4700	13.4700	13.4700	13.4700	13.4700	11.5000	11.5000
Real Estate Split Rate Land (mills)	19.0000	19.0000	19.0000	19.0000	19.0000	18.5000	18.5000
EIT Resident	1.17%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
EIT Nonresident	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
LST	\$47.00	\$47.00	\$47.00	\$47.00	\$47.00	\$47.00	\$47.00
Mechanical Devices	\$450.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
Mercantile/Business Privilege -Retail (mills)	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
Mercantile/Business Privilege -Wholesale (mills)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Realty Transfer	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Real Estate and Earned Income Tax Revenue

The table below compares the City's total real estate tax collections and total earned income tax collections; these two taxes together account for approximately half of the City of Duquesne's total revenues.

- Real Estate taxes account for approximately one-third of total revenue. In 2009, Real Estate taxes grew from \$1.1 million to \$1.2 million following a tax increase. As noted above, Real Estate taxes dropped in 2012 following a decline in assessments. As a result, the change between 2008 and 2012 was an increase of only 2.8 percent.
- EIT revenue varied over the period from a low of \$475,341 in 2010 to a high of \$787,747 in 2012. The change from 2008 to 2012 was an increase of 25.3 percent. As noted above, EIT revenue for 2012 was impacted by the Act 32 process.

**Earned Income and Real Estate Tax Revenue,
City of Duquesne
2008 - 2012**

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	% Change
Real Estate Tax	1,105,262	1,217,375	1,244,674	1,243,767	1,136,285	2.8
% of Total Revenue	33.06%	37.50%	36.01%	34.39%	30.24%	
Earned Income Tax	628,794	505,579	475,341	516,279	787,747	25.3
% of Total Revenue	18.81%	15.57%	13.75%	14.28%	20.96%	
Combined Proportion	51.86%	53.07%	49.77%	48.67%	51.20%	

Source: Historical Data from City As Provided

Expenditure Review—2008 - 2012

The table below illustrates that Duquesne's operating expenditures increased from \$3.3 million in 2008 to \$3.6 million in 2012, a growth of \$238,751 or 7.1 percent.

**General Fund Operating Expenditures
City of Duquesne
2008 - 2012**

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2012 \$	2008 - %
Personnel	\$1,818,998	\$1,813,957	\$1,791,587	\$1,926,716	\$1,980,738	161,740	8.9
Non Personnel	1,031,332	928,732	1,013,115	1,041,595	1,042,235	10,904	1.1
Transfers	30,641	0	0	100,000	100,000	69,359	226.4
Debt Service	441,337	526,358	514,971	536,238	449,506	8,170	1.9
TRAN Interest	22,506	14,061	17,148	8,152	11,085	-11,421	-50.7
Total Expenditures	\$3,344,813	\$3,283,108	\$3,336,821	\$3,612,701	\$3,583,565	238,751	7.1

Personnel Expenditures

The following table lists the City's major Personnel Expenditure categories from 2008 through 2012. As is the case with any labor intensive service industry, personnel expenditures consume a significant portion of the City's General Fund. Important items of note are:

- Direct Employee Compensation—the City's largest personnel expense—remained relatively flat at approximately \$1.3 million, increasing by only \$34,743 or 2.8% between 2008 and 2012.
- Health Insurance expenditures experienced the most growth, rising by \$83,748 or 34 percent from \$243,992 in 2008 to \$327,740 in 2012.
- Other than Unemployment Compensation, which started the review period at zero, Workers' Compensation had the largest proportional increase, growing by 44.1 percent or \$39,057.

- Pension expenses decreased by \$12,596 or 6.4% after the City issued a pension bond.
- Other Employee Expenses varied throughout the period from a high of \$50,866 in 2009 to a low of \$32,705 in 2010. The category averaged approximately \$40,500.

**Personnel Expenditures
City of Duquesne
2008 - 2012**

Employee Expenses	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2008 - 2012 Change	%
Direct Compensation	\$1,250,918	\$1,204,754	\$1,186,707	\$1,262,789	\$1,285,661	34,743	2.8
Health Insurance	243,992	261,112	287,895	321,804	327,740	83,748	34.3
Pension	195,546	178,873	187,299	205,448	182,950	-12,596	-6.4
Workers' Compensation	88,469	88,148	81,174	95,895	127,526	39,057	44.1
Unemployment Compensation	0	30,184	15,806	1,068	17,665	17,665	100.0
Other Employee Expenses	40,073	50,886	32,705	39,712	39,196	-876	-2.2
Total Employee Expenditure	\$1,818,998	\$1,813,957	\$1,791,587	\$1,926,716	\$1,980,738	161,740	8.9

Non-Personnel Expenditures

The table below summarizes the City's Other Departmental Expenditure categories. Key items include:

- Overall, departmental expenditures remained flat at \$1.1 million, growing by only \$10,904 or 1.1 percent.
- The Garbage Contract increased by \$80,303 or 25.6 percent for the largest dollar increase.
- Building Inspector services experienced the highest percentage increase, rising from \$5,576 in 2008 to \$63,091 in 2012, a gain of \$57,515 or 1,031.5 percent.
- Emergency Demolition varied from \$0 in 2009 to a high of \$37,700 in 2011. Costs for 2012 were \$28,500.
- Several large decreases in costs include: Insurance, \$15,062 or 18.4 percent; Supplies, \$23,972 or 47.9 percent; Tax Expense and Commissions, \$25,203 or 62.8 percent; Maintenance, \$25,304 or 54.3 percent; Other Expense, \$27,393 or 42.5 percent; and Refunds \$33,839 or 89.5 percent.
- The City eliminated Library costs in 2011.

**Non Personnel Expenditures
City of Duquesne
2008 - 2012**

Non Personnel Expenditures	2008	2009	2010	2011	2012	Change 2008-2012	
	Actual	Actual	Actual	Actual	Actual	Change	%
Garbage Contract	\$313,855	\$330,483	\$393,702	\$321,516	\$394,158	80,303	25.6
Building Inspector Service	5,576	3,255	15,816	64,886	63,091	57,515	1,031.5
Equipment Expense	7,491	5,474	18,449	34,313	44,163	36,672	489.6
Emergency Demolition	7,500	0	3,435	37,700	28,500	21,000	280.0
Fuel	53,553	36,899	49,051	53,393	63,205	9,652	18.0
Recycling Contract	25,888	29,412	33,508	25,919	33,696	7,808	30.2
Vehicle Expense	16,222	15,468	16,539	18,048	19,954	3,733	23.0
Street Lighting	27,419	14,167	1,823	43,035	30,578	3,159	11.5
Engineering	17,921	12,527	11,336	16,443	18,454	533	3.0
Grant Expenses	0	0	0	7,810	444	444	100.0
Computer Expense	11,866	13,073	13,915	9,992	11,306	-560	-4.7
Advertising	7,552	9,645	9,361	11,144	6,716	-836	-11.1
Postage	1,515	769	993	1,287	362	-1,153	-76.1
Audit	15,055	31,716	12,975	10,925	12,525	-2,530	-16.8
Memberships	14,869	11,905	8,820	11,738	11,733	-3,136	-21.1
Electricity	15,999	16,157	13,883	13,402	11,551	-4,448	-27.8
Legal	66,831	75,279	75,572	56,764	61,319	-5,513	-8.2
Telephone/Internet	23,302	18,290	19,249	17,374	16,446	-6,856	-29.4
Salt & Cinder Supplies	37,521	38,889	60,115	52,341	26,681	-10,840	-28.9
Library	11,000	10,000	10,000	0	0	-11,000	-100.0
Gas Service	29,452	30,113	20,978	21,990	17,180	-12,272	-41.7
Insurance	81,844	57,320	76,890	87,828	66,782	-15,062	-18.4
Supplies	50,081	26,399	28,215	25,587	26,109	-23,972	-47.9
Tax Expense & Commissions	40,152	36,835	44,598	31,136	14,949	-25,203	-62.8
Maintenance	46,593	38,196	24,161	25,833	21,290	-25,304	-54.3
Other Expense	64,460	55,476	40,612	38,119	37,068	-27,393	-42.5
Refunds	37,815	10,989	9,117	3,073	3,976	-33,839	-89.5
Total Personnel Expenditures	\$1,031,332	\$928,732	\$1,013,115	\$1,041,595	\$1,042,235	10,904	1.1

Source: Historical Data from City As Provided

Other Expenditures and Uses

The table below summarizes the City's non-departmental expenditure categories. Non-departmental expenditures increased by \$66,108 or 177.5 percent from \$494,484 in 2008 to \$560,591 in 2012. Important items of note are:

- Transfers varied throughout the period. In 2008, the City transferred \$30,043 to the PennVest account. Transfers for \$100,000 in 2011 and 2012 were to the Water Fund.
- Debt Service fluctuated from a low of \$441,337 in 2008 to a high of \$536,238 in 2011, ending the period in 2012 at \$449,506.
- Tax Anticipation Note interest decreased by 50.7 percent, falling from \$22,506 in 2008 to \$11,085 in 2012.

**Other Expenditures and Uses
City of Duquesne
2008 - 2012**

Other Expenditures & Uses	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2008-2012 \$	Change 2008-2012 Actual
Transfers	\$30,641	\$0	\$0	\$100,000	\$100,000	69,359	226.4
Debt Service	441,337	526,358	514,971	536,238	449,506	8,170	1.9
TRAN Interest	22,506	14,061	17,148	8,152	11,085	-11,421	-50.7
Total Other Expenditures & Uses	\$494,484	\$540,418	\$532,120	\$644,390	\$560,591	66,108	177.5

Expenditure Review—2008 - 2012 by Department

- Police account for approximately one-third of total General Fund expenditures. The next largest expenditures are in General Government/Administrative, Streets and Highways, and Sanitation.
- The largest monetary growth was in Sanitation. However, there is a corresponding increase in Municipal Services Fees that assist in funding that department.
- Although it has the largest expenditures, Police costs rose by only 6.0 percent or \$67,378 from \$1.1 million to just under \$1.2 million.
- Fire expenditures increased over the review period by \$50,791 or 44.6 percent but the Fire Chief position was eliminated part way through 2012. Consequently, Fire costs fall going forward.
- Spending fell in General Government/Administrative by \$68,637 or 10.8 percent, in part because of the elimination of the City Clerk's salary.
- Costs also dropped in Recreation and Culture as funds for the library were eliminated.

**Departmental Expenditures
City of Duquesne
2008 - 2012**

Departmental Expenditures	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	Change 2008 - 2012 Change	%
General Government - Administrative	\$634,667	\$588,998	\$594,754	\$574,732	\$566,030	-68,637	-10.8
Police	1,119,145	1,103,832	1,075,345	1,107,040	1,186,523	67,378	6.0
Fire	113,976	99,668	122,341	214,942	164,767	50,791	44.6
Sanitation	339,743	359,894	427,210	347,436	427,854	88,111	25.9
Streets & Highways	418,127	412,032	403,813	517,192	472,424	54,297	13.0
Recreation & Culture	40,799	13,899	13,126	3,945	2,150	-38,648	-94.7
Debt Service	467,384	544,199	536,500	548,107	463,386	-3,998	-0.9
Insurance	180,331	160,585	163,732	199,308	200,431	20,099	11.1
Transfers	30,641	0	0	100,000	100,000	69,359	226.4
Total Expenditures	\$3,344,813	\$3,283,108	\$3,336,821	\$3,612,701	\$3,583,565	238,751	7.1
	Percentage of Total Expenditures						
General Government - Administrative	19.0	17.9	17.8	15.9	15.8		
Police	33.5	33.6	32.2	30.6	33.1		
Fire	3.4	3.0	3.7	5.9	4.6		
Sanitation	10.2	11.0	12.8	9.6	11.9		
Streets & Highways	12.5	12.6	12.1	14.3	13.2		
Recreation & Culture	1.2	0.4	0.4	0.1	0.1		
Debt Service	14.0	16.6	16.1	15.2	12.9		
Insurance	5.4	4.9	4.9	5.5	5.6		
Transfers	0.9	0.0	0.0	2.8	2.8		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

2008 - 2012: Summary

- Despite fluctuations during the review period, as of 2012 the City's revenue collections had grown more than its expenditures. However, as discussed previously, EIT revenue in 2012 was positively impacted by the Act 32 process.
- Real Estate and EIT tax provide approximately 50 percent of total revenue.
- Municipal Service Charges and Sales Tax each provide approximately 14 percent of revenue.
- Public Services provided by the City are labor-intensive—employee-related expenditures accounted for 72.6 percent of operating expenditures in 2012.
- Direct Compensation is the City's largest operating expenditure.
- Health Insurance expenditures for both current and retired employees increased by 34.3 percent between 2008 and 2012.

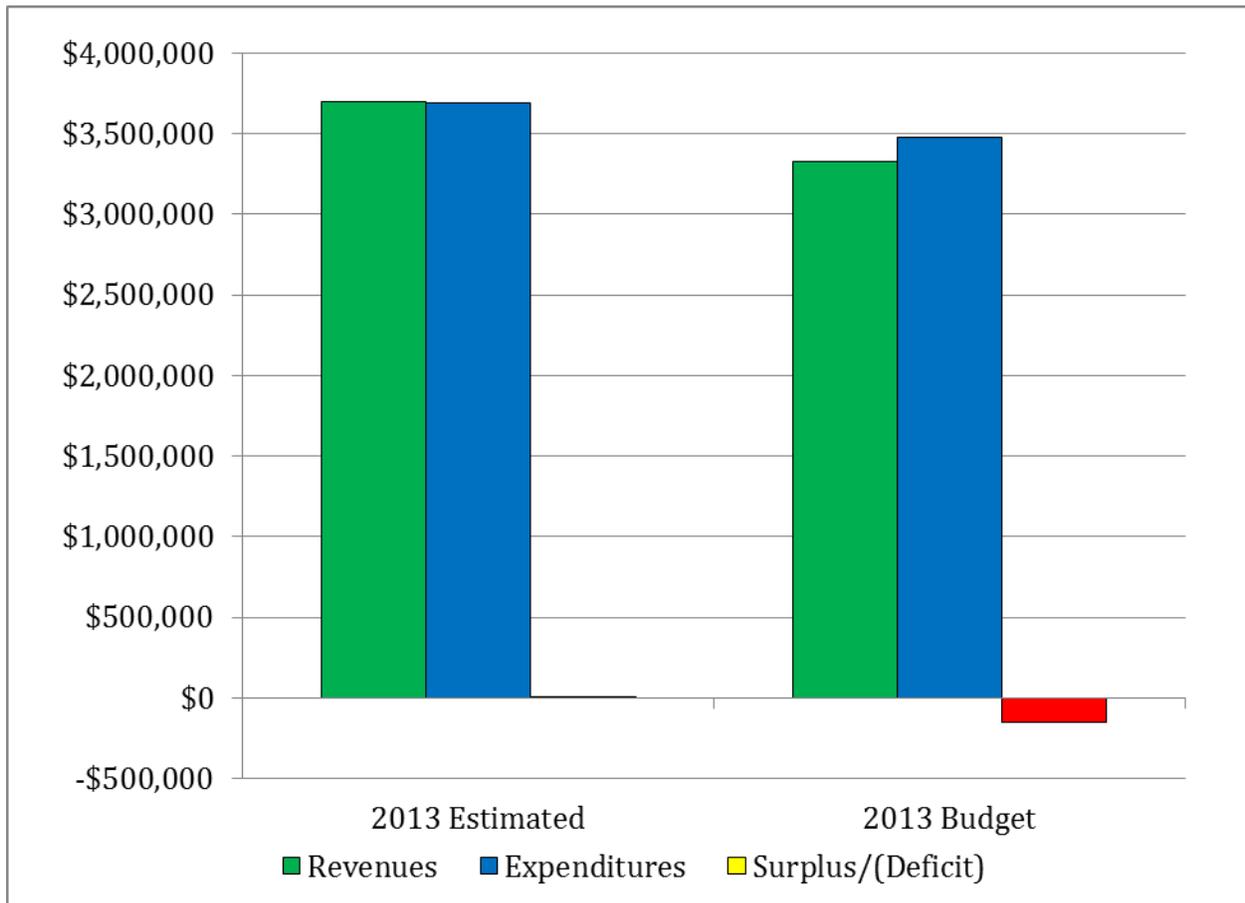
2013 Estimated vs. Budget

The City of Duquesne is anticipated to end 2013 with a slight surplus of revenue over expenditures. Revenues are expected to finish at \$3,695,828; expenditures at \$3,693,594 with \$2,234 in surplus. This is in contrast with the City's adopted 2013 budget which projected a shortfall of \$152,964. (2013 year end is estimated based on YTD Actual Data through November 26.)

General Fund City of Duquesne 2013 Estimated vs. Budget

	2013	2013	Variance	
	Estimated	Budget	\$	%
Revenues	\$3,695,828	\$3,324,950	370,878	11.2
Expenditures	3,693,594	3,477,914	215,680	6.2
Surplus/(Deficit)	\$2,234	-\$152,964	155,198	N/A

General Fund City of Duquesne 2013 Estimated vs. Budget



Revenues

In 2013, Tax Revenues are expected to exceed budget by 17.7 percent or \$320,927. Increases over budget are expected in Earned Income Tax (both resident and non-resident) by \$150,000 and \$72,378 respectively; Delinquent Real Estate Taxes by \$85,000, and current Real Estate Taxes by \$50,000. Partially offsetting these increases are lower than expected revenue from Prior Year Real Estate Taxes (\$29,000) and Mercantile Tax (\$7,452).

Non Tax Revenues are over budget by \$49,951. Fines & Forfeits exceeded budget by 97.2 percent or \$32,801 with Court Fines up approximately \$24,551 in this category. All other nontax revenue categories exceeded the budget with the exception of Miscellaneous Revenues which is anticipated to show a short fall of \$32,433.

General Fund Revenues City of Duquesne 2013 Estimated vs. Budget

Revenue Items	2013	2013	Variance	
	Estimated	Budget	\$	%
Taxes				
Current Year Real Estate Taxes	\$1,100,000	\$1,050,000	50,000	4.8
Prior Year Real Estate Taxes	6,000	35,000	-29,000	-82.9
Delinquent Real Estate Taxes	150,000	65,000	85,000	130.8
Liened Taxes Real Estate	25,000	25,000	0	0.0
Real Estate Transfer Tax	15,000	15,000	0	0.0
Earned Income Tax	535,000	385,000	150,000	39.0
Delinquent EIT	75,000	75,000	0	0.0
Non Resident EIT	142,378	70,000	72,378	103.4
Mercantile Tax	32,548	40,000	-7,452	-18.6
Emergency Municipal Services Tax	55,000	55,000	0	0.0
Total Taxes	\$2,135,927	\$1,815,000	320,927	17.7
Non Tax Revenue				
Licenses & Permits	\$100,500	\$87,500	13,000	14.9
Streets & Sewage	7,755	2,500	5,255	210.2
Fines & Forfeits	66,551	33,750	32,801	97.2
Interests & Rents	2,750	2,900	-150	-5.2
Police & Security	195,377	178,350	17,027	9.5
Sales Tax & Grants	558,211	544,350	13,861	2.5
Zoning	4,200	3,600	600	16.7
Miscellaneous	624,557	657,000	-32,443	-4.9
Non Tax Revenues	\$1,559,901	\$1,509,950	49,951	3.3
Total Revenues	\$3,695,828	\$3,324,950	370,878	11.2

Expenditures

Personnel Expenditures are expected to exceed the budget by \$133,275 or 6.5 percent. Contributing to this are: Direct Compensation, \$57,644; Health Insurance \$38,490 and Workers' Compensation \$35,000. Non Personnel Expenditures are expected to surpass budgeted amounts by \$82,405 or 8.6 percent. Significant overruns are seen in Street Lighting Expense (\$25,000), Engineering Expense (\$17,500) and Equipment Expense (\$12,075).

General Fund Expenditures City of Duquesne 2013 Estimated vs. Budget

Account Category	2013	2013	Variance	
	Estimated	Budget	\$	%
Personnel	\$2,185,799	\$2,052,524	133,275	6.5
Non Personnel	1,038,580	956,175	82,405	8.6
Debt Service	455,215	455,215	0	0.0
TRAN Interest	14,000	14,000	0	0.0
Total Expenditures	\$3,693,594	\$3,477,914	215,680	6.2

General Fund Personnel Expenditures City of Duquesne 2013 Estimated vs. Budget

Account Category	2013	2013	Variance	
	Estimated	Budget	\$	%
Direct Compensation	\$1,300,494	\$1,242,850	57,644	4.6
Health Insurance	348,765	310,275	38,490	12.4
Pension	370,795	367,649	3,146	0.9
Workers' Compensation	120,000	85,000	35,000	41.2
Unemployment Compensation	9,300	6,100	3,200	52.5
Other Employee Expenses	36,445	40,650	-4,205	-10.3
Total Personnel	\$2,185,799	\$2,052,524	133,275	6.5

Budget overruns are noted in every department with the exception of Recreation and Culture. The overages can be attributed to the variances noted above.

**General Fund Personnel Expenditures
City of Duquesne
2013 Estimated vs. Budget**

Account Category	2013	2013	Variance	
	Estimated	Budget	\$	%
General Government - Administrative	\$675,343	\$614,084	61,259	10.0
Police	1,353,338	1,325,310	28,028	2.1
Fire	140,072	130,105	9,967	7.7
Sanitation	362,400	360,500	1,900	0.5
Streets & Highways	478,532	409,450	69,082	16.9
Recreation & Culture	2,560	2,750	-190	-6.9
Debt Service	471,715	471,715	0	0.0
Insurance	209,635	164,000	45,635	27.8
Miscellaneous	0	0	0	N/A
Total Expenditures	\$3,693,594	\$3,477,914	215,680	6.2

Baseline General Fund Revenue and Expenditure Projections 2014 - 2018

Financial projections for the City of Duquesne were based on actual historical data from 2007 through 2013 and the Coordinator's preceding historical review from 2008 through 2012. Estimates for the future rates of increase or decrease in individual operating revenue and expenditure line items were developed through analysis of the City's historical financial data, and where appropriate, independent revenue and expenditure trend analysis. Finally, the Coordinator used the City's adopted 2014 budget as the basis for the City's 2014 – 2018 financial projections.

Revenue assumptions used in the baseline projections are:

- All 2014 rates for taxes and fees were held constant through 2018.
- Revenue from current real estate taxes has been held constant. Overall, the City's property assessed valuation growth is assumed to be minimal.
- Revenue from Delinquent and Liened Taxes for 2014 are at budgeted levels, but reduced in 2015 – 2018 to reflect historic trends.
- Other tax revenue was reviewed on a line-by-line basis. Earned Income Tax and Mercantile Tax revenue was increased by 1.25 percent annually. Local Services Tax was increased by \$1,175 annually or 25 jobs per year @ \$47 each.
- Miscellaneous Revenue for 2014 is at budgeted levels but reduced in 2015 – 2018 to reflect historic trends.
- Other revenues were held constant over the period based upon the Coordinator's historical data and trend analysis.

Expenditure assumptions used in the baseline projections are:

- Personnel numbers were held constant at the 2014 budget level.
- Wages were increased as specified in current collective bargaining agreements and increased at 1.25 percent after the end of the agreement. Salaries for non-represented City employees were projected at 1.25 percent growth through 2018.
- Medical insurance was increased 6.0 percent for 2015 and 6.2 percent for 2016-2018.
- No new debt was anticipated.
- Capital Lease Expense of \$50,000 was included in 2015 – 2018 for anticipated capital needs.
- Municipal pension obligations were adjusted based on increased employee costs.
- Other expenditures were held at 2014 budgeted levels.

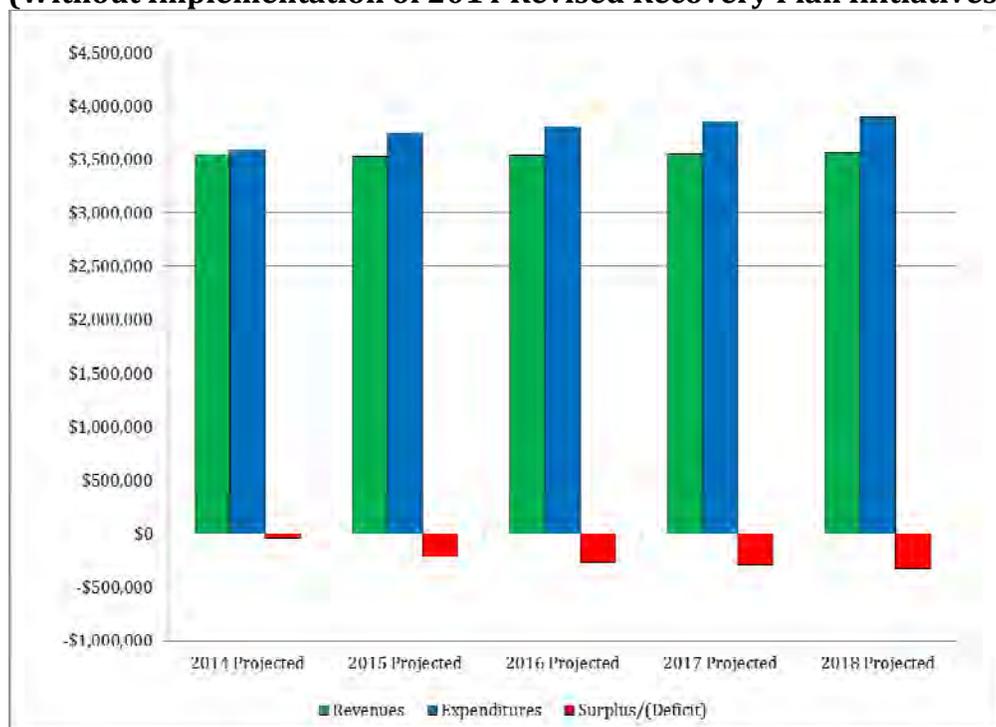
Based on the above assumptions, the following table provides the projected General Fund operating budget surplus/deficit for the City of Duquesne for 2014 through 2018 **without** implementation of the 2014 Revised Recovery Plan Initiatives.

Revenue is anticipated to remain relatively flat at just over \$3.5 million while expenditures steadily increase from \$3.6 million in 2014 to just under \$3.9 million in 2018. As a result, the City is expected to experience increasing annual operating budget deficits throughout the projection period, starting at \$45,478 in 2014 and growing to \$291,898 in 2018, an increase of \$276,735. The cumulative General Fund deficit for the period is projected at \$1,136,534.

**General Fund Projections
City of Duquesne
2014 - 2018
(Without Implementation of 2014 Revised Recovery Plan Initiatives)**

	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Revenues	\$3,548,250	\$3,535,338	\$3,547,998	\$3,560,783	\$3,573,693
Expenditures	3,593,728	3,748,346	3,811,935	3,852,681	3,895,906
Surplus/(Deficit)	-\$45,478	-\$213,008	-\$263,938	-\$291,898	-\$322,213
Cumulative Surplus/(Deficit)	-\$45,478	-\$258,486	-\$522,424	-\$814,322	-\$1,136,534

**General Fund Projections
City of Duquesne
2014 - 2018
(Without Implementation of 2014 Revised Recovery Plan Initiatives)**



Revenue Projections—2014 - 2018

The City's General Fund operating revenues are projected to remain relatively stagnant throughout the projection period. The largest growth is projected in resident EIT (\$27,510) and Municipal Service Fees (\$10,277). All other revenue increases are less than \$10,000. The largest decrease is anticipated in Miscellaneous revenue (\$25,500). Overall, revenues are projected to increase by \$25,443 or 0.7 percent.

General Fund Revenue Projections City of Duquesne 2014 - 2018 (Without Implementation of 2014 Revised Recovery Plan Initiatives)

Revenue Category	2014	2015	2016	2017	2018	Change 2014 - 2018	
	Projected	Projected	Projected	Projected	Projected	\$	%
Current Year Real Estate Taxes	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	0	0.0
Prior Year Real Estate Taxes	25,000	25,000	25,000	25,000	25,000	0	0.0
Delinquent Real Estate Taxes	70,000	70,000	70,000	70,000	70,000	0	0.0
Liened Taxes Real Estate	20,000	20,000	20,000	20,000	20,000	0	0.0
Real Estate Transfer Tax	15,000	15,000	15,000	15,000	15,000	0	0.0
Earned Income Tax	540,000	546,750	553,584	560,504	567,510	27,510	5.1
Delinquent EIT	45,000	45,000	45,000	45,000	45,000	0	0.0
Non Resident EIT	125,000	126,563	128,145	129,746	131,368	6,368	5.1
Mercantile Tax	40,000	40,500	41,006	41,519	42,038	2,038	5.1
EMST/LST Tax	<u>57,500</u>	<u>58,675</u>	<u>59,850</u>	<u>61,025</u>	<u>62,200</u>	<u>4,700</u>	<u>8.2</u>
Total Taxes	\$2,037,500	\$2,047,488	\$2,057,585	\$2,067,794	\$2,078,116	40,616	2.0
Licenses & Permits	\$94,500	\$94,500	\$94,500	\$94,500	\$94,500	0	0.0
Streets & Sewage	2,500	2,500	2,500	2,500	2,500	0	0.0
Fines & Forfeits	36,500	36,500	36,500	36,500	36,500	0	0.0
Tax & Interest	2,900	2,900	2,900	2,900	2,900	0	0.0
Police & Security	182,900	182,900	182,900	182,900	182,900	0	0.0
Sales Tax & Grants	542,850	541,950	541,950	541,950	541,950	-900	-0.2
Zoning	3,100	4,050	4,050	4,050	4,050	950	30.6
Municipal Service Fees	510,000	512,550	515,113	517,688	520,277	10,277	2.0
Miscellaneous	<u>135,500</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	-25,500	-18.8
Non Tax Revenues	\$1,510,750	\$1,487,850	\$1,490,413	\$1,492,988	\$1,495,577	-15,173	-1.0
Total Revenues	\$3,548,250	\$3,535,338	\$3,547,998	\$3,560,783	\$3,573,693	25,443	0.7

Expenditure Projections—2014 - 2018

Expenditures are projected to rise from \$3.6 million in 2014 to \$3.9 million in 2018 or by \$302,178. Increases in personnel costs, primarily employee Direct Compensation and Health Insurance are the main reasons for the growth. Projections for Direct Compensation show an increase from \$1.27 million in 2014 to \$1.41 million in 2018, a growth of 10.8 percent. Medical insurance is projected to rise from nearly \$404,550 in 2014 to \$512,181 in 2018, an increase of 26.6 percent.

Non-personnel departmental expenditures are projected to decrease slightly from \$934,825 in 2014 to \$932,850 in 2018, a drop of \$2,000. All other non-personnel expenditures are held flat. A line item for annual Capital Lease payments of \$50,000 was added in 2015 – 2018 for anticipated needs.

General Fund Expenditure Projections

City of Duquesne

2014 - 2018

(Without Implementation of 2014 Revised Recovery Plan Initiatives)

Expenditure Category	2014	2015	2016	2017	2018	Change 2014 – 2018	
	Projected	Projected	Projected	Projected	Projected	\$	%
Personnel	\$2,179,536	\$2,287,782	\$2,344,859	\$2,389,707	\$2,433,292	253,756	11.6
Non Personnel	934,850	932,850	932,850	932,850	932,850	-2,000	-0.2
Transfers	0	0	0	0	0	0	0.0
Capital Lease	0	50,000	50,000	50,000	50,000	50,000	0.0
Debt Service	470,342	468,713	475,227	471,124	470,764	422	0.1
TRAN Interest	9,000	9,000	9,000	9,000	9,000	0	0.0
Total Expenditures	\$3,593,728	\$3,748,346	\$3,811,935	\$3,852,681	\$3,895,906	302,178	8.4

General Fund Expenditure Personnel Projections

City of Duquesne

2014 - 2018

(Without Implementation of 2014 Revised Recovery Plan Initiatives)

Expenditure Category	2014	2015	2016	2017	2018	Change 2014 – 2018	
	Projected	Projected	Projected	Projected	Projected	\$	%
Direct Compensation	\$1,272,100	\$1,352,107	\$1,380,380	\$1,394,747	\$1,409,301	137,201	10.8
Health Insurance	404,550	428,823	455,410	483,645	512,181	107,631	26.6
Pension	377,361	381,293	383,475	385,685	386,145	8,784	2.3
Workers' Compensation	85,000	85,000	85,000	85,000	85,000	0	0.0
Unemployment Compensation	1,100	1,100	1,100	1,100	1,100	0	0.0
Other Employee Expenses	39,425	39,459	39,494	39,529	39,565	140	0.4
Total Personnel	\$2,179,536	\$2,287,782	\$2,344,859	\$2,389,707	\$2,433,292	253,756	11.6

Departments with personnel expenditures are expected to have the most significant increases, including Police, General Government/Administrative and Streets and Highways. Police is anticipated to raise the most at \$171,898 or 12.2 percent, while General Government/Administration is projected to increase by \$50,242 or 8.6 percent, and Streets and Highways is expected to grow by \$26,827 or 6.1 percent.

**General Fund Expenditure Projections by Operating Unit
City of Duquesne
2014 – 2018
(Without Implementation of 2014 Revised Recovery Plan Initiatives)**

Expenditure Category	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected	Change 2014 – 2018	
						\$	%
General Government - Administrative	\$583,786	\$605,246	\$614,550	\$624,231	\$634,028	50,242	8.6
Police	1,408,489	1,489,957	1,529,266	1,555,566	1,580,387	171,898	12.2
Fire	136,651	136,651	136,651	136,651	136,651	0	0.0
Sanitation	371,250	371,250	371,250	371,250	371,250	0	0.0
Streets & Highways	439,210	443,449	450,728	458,340	466,037	26,827	6.1
Recreation & Culture	2,750	750	750	750	750	-2,000	-72.7
Capital Lease	0	50,000	50,000	50,000	50,000	50,000	N/A
Debt Service	481,592	479,963	486,477	482,374	482,014	422	0.1
Insurance	170,000	171,080	172,263	173,519	174,789	4,789	2.8
Miscellaneous	0	0	0	0	0	0	0.0
Total Expenditures	\$3,593,728	\$3,748,346	\$3,811,935	\$3,852,681	\$3,895,906	302,178	8.4

Summary

Baseline projections for the City's General Fund **without** implementation of any of the 2014 - 2017 Recovery Plan Initiatives indicate that the City will encounter General Fund operating budget deficits annually from 2014 through 2018 with a cumulative deficit of \$1,156,534. Total General Fund expenditures will **increase** by \$302,178 or 8.4 percent through 2018 while the City's revenues are projected to **increase** by \$25,443 or 0.7 percent during the same period. Clearly, the City cannot sustain itself fiscally with such an expenditure and revenue mismatch. Significant changes to the City's method of operation and the funding of its services are required in order to return the City to fiscal solvency.

2014 – 2017 Recovery Plan Initiatives

The baseline financial projections for the City of Duquesne indicate that the City faces significant challenges toward exiting the Act 47 program. However, there are steps that the City can pursue to mitigate those challenges. This section contains initiatives that can be implemented in 2014 and beyond to reach the City's goal of exiting the Act 47 program.

The initiatives detailed below represent new initiatives or revised Recovery Plan initiatives intended to position the City to exit the Act 47 program. It is important to note that since the original Recovery Plan was adopted; the operating environment and opportunities available to the City have evolved. As a result, some initiatives have been revised to reflect current conditions and opportunities. Previous Recovery Plan initiatives that: 1) have been completed; 2) are still in effect without revision from previous Recovery Plan iterations, or; 3) are no longer relevant, are summarized in Attachment A, along with narrative explanations where appropriate.

Expenditures

It is important that the City position itself to exit the Act 47 program and, just as importantly, that the City's exit from the program is sustainable. At the most basic level this requires that the City maintain structural balance by bringing in more revenue each year than it expends and that revenue growth keeps pace with the expenditure growth. This has been a challenge not only for the City of Duquesne, but for cities across the United States.

The Finance and Budget related initiatives therefore focus on controlling expenditures and maximizing revenue. In addition, they provide a framework for limiting increases in expenditures for specific collective bargaining agreements as authorized under Pennsylvania Act 133.

Since the City has entered into the Act 47 program, it has systematically sought to control General Fund expenditures to align spending with declining revenue. From 2008 through 2012, Departmental expenditures increased by only 1.1% and employee salary expenses increased by 2.8% over the four year period. Fringe benefit expenses, however, have increased at unsustainable rates. For example, health insurance expenses increased by 34% from 2008 through 2012 due to uncontrollable market conditions. In real terms, this has forced program reductions and, as will be discussed further in the City Services section of this Recovery Plan; at this time the City is providing a basic level of core services with little opportunity for discretionary spending reductions. Despite these challenges, it is imperative that the City continue to seek ways to control General Fund expenditures.

Departmental Expenditures

Finance and Budget (F&B) Initiative 1: The City shall limit 2014 General Fund expenditures to 2013 Budgeted Levels for all non-fringe benefit related expenses and limit increases in subsequent years to the rate of inflation as defined by the unadjusted percent change in Consumer Price Index for all Urban Consumers (CPI-U) from September 30 of the current calendar year to September of the prior calendar year. The baseline financial projections assume no expenditure growth in salaries and most non-personnel expenditures. Even with this limited expenditure growth, the baseline financial projections still project annual deficits in the General Fund. As such, it is important to control actual expenditures to minimize the potential for exposure.

Water Fund Support

F&B Initiative 2: The City shall eliminate General Fund Support to the Water Fund by the end of 2014. In 2011 and 2012, the City's General Fund contributed \$100,000 per year to support Water Fund operations and a total of approximately \$400,000 has been transferred from the General Fund to support the Water Fund. In 2013, the Water Fund did not require support because of the unexpected receipt of delinquent payments. However, this was one-time revenue and it is not expected to be available in 2014.

The City currently purchases its water wholesale from Municipal Authority of Westmoreland County (MAWC), which, on average, bills the City for 16 million gallons for every 10 million gallons billed to Duquesne residents. This disparity is the primary source of the Water Fund's annual operating deficit. The first and most important action required to resolve the issue is to identify the source of the disparity through the investigative methods detailed below, which shall be completed in the first quarter of 2014, with the professional assistance of the Act 47 Coordinator:

- The City shall coordinate with MAWC to independently test the MAWC master meter to ensure that the City's recorded wholesale water consumption is accurate.
- The City, with the support of the Act 47 Coordinator, will evaluate the potential cost implications of conducting an independent leak detection assessment to determine if the disparity is attributable to undetected water loss. The City shall then seek grant funds to complete the leak detection program.
- The City shall begin testing the meters of its major commercial and industrial users to determine if they are accurately recording water usage.
- In the first quarter of 2014, the City shall test a random sample of residential meters to determine if they are accurately recording water usage.

F&B Initiative 3: Complete a water rate study comparing the water rates charged by the City of Duquesne against those charged by other cities in the region. Though it is important to ensure that the structural imbalance in the Water Fund is not attributed to undetected leaks or inaccurate usage data, it is also important to ensure that the City is charging its users a fee that covers the full cost of providing water to residents and businesses. The Water Fund must also generate sufficient revenue to fund capital repairs as needed, to reimburse the General Fund for annual support services (e.g., IT, finance, HR, and administration), and to pay back the General Fund the \$400,000 owed to it from the Water Fund. To appropriately evaluate the need for water rate increases, it is helpful to complete benchmarking to determine how neighboring communities have developed their rate structures to achieve structural balance. The City's Act 47 Coordinator will provide support to complete the rate study and, following the outcome of leak detection and meter reliability analysis, the water rate study, and the indirect cost study (F&B initiative 5), the City shall develop and implement a water revenue increase plan that fully funds Water Fund operating costs and pays back the revenue owed to the General Fund over a 10 year period. This Water Fund revenue increase plan shall include one or both of the following options: 1) increases in water rates; 2) establishment of a minimum charge per account to cover fixed system operation costs.

F&B Initiative 4: The City, with support of the Act 47 Coordinator and the City's auditors, shall complete an indirect cost allocation study to identify the appropriate level Water Fund revenues that should be transferred to the General Fund on an annual basis to fund administrative and support functions. Previous iterations of the City's Recovery Plan included direction to contract with the City's auditors to complete an indirect cost allocation study. The Recovery Plan also called for an annual cap of \$30,000 in Water Fund transfers to the General Fund. As previously discussed, the Water Fund has been operating at a structural deficit so no transfer from the Water Fund to the General Fund has occurred in recent years. Other Finance and Budget initiatives related to the Water Fund are designed to achieve structural balance in the Water Fund. In light of that goal, it is critical to identify the actual cost to the General Fund to support

Water Fund operations and, just as importantly, to define a defensible methodology that can be applied to justify future transfers from the Water Fund to the General Fund.

Workforce Expenditures

In September 2012, the Governor of Pennsylvania signed into law Pennsylvania Act 133 which amended Act 47 and altered the process by which a recovery plan addresses collective bargaining. The amendment authorizes fiscally distressed communities to set limitations on bargaining unit expenditure growth thru the enactment of a recovery plan. Act 133 mandates that collective bargaining agreements and arbitration settlements “shall not in any manner violate, expand or diminish” the provisions of a Financial Recovery Plan provided that expenditure limitations are not arbitrary, capricious or established in bad faith. Under the Act, limits on collective bargaining expenditure growth may be set for the current year, and an additional three years. Given that this Recovery Plan is scheduled for adoption in 2014, 2014 Projected Expenditures, which are derived from the City’s 2014 budget, are considered the Current Year for purposes of Act 133 expenditure limitations. As such, the expenditure limitations defined in this Recovery Plan are in effect through 2017. The expenditure limitations defined in this Plan do not supersede the City’s current collective bargaining agreements, which are in effect until December 31, 2014. The following initiatives specify the Act 133 expenditure limitations for the City of Duquesne.

Workforce (WF) Initiative 1: The City shall not add full-time personnel without offsetting increases in revenue. The City has reduced staffing to such a degree that any further reductions will necessitate either program eliminations or the implementation of alternative approaches to service delivery, such as contracting or intergovernmental service agreements. In 2012, salary and benefit expenses represented over 70% of the City’s General Fund expenditures and, as previously mentioned, rising fringe benefit costs have represented the largest share of expenditure increases since 2008. Though the City has not proposed immediate plans to increase staffing levels in City departments, it will be important to ensure salary and benefit expenses are controlled going forward. This initiative remains in effect until the City adopts another amended Recovery Plan or exits the Act 47 program, provided it does not conflict with overall expenditure limits for bargaining units, as defined elsewhere in the Recovery Plan.

WF Initiative 2: The City shall consolidate the Assistant Chief and Chief position in the Police Department: The Police Department focuses on providing a core level of patrol services. Most specialty and support functions such as emergency communications, criminal investigations, forensic investigations, and Vice are provided by other government entities, though the Assistant Police Chief does conduct special investigations whenever possible. As a result, the scope of responsibilities for the Police Department is relatively focused and limited. In Police Departments that directly provide a full scale of policing services, it is often necessary to maintain an Assistant Chief and a Chief position. However, the level of services provided by the Duquesne Police Department, and the City’s financial condition, necessitates the elimination of the additional managerial level.

It is appropriate for patrol sergeants to report directly to the Chief of Police, who shall take over the responsibility of the Assistant Chief for managing and directing day-to-day deployment of patrol operations. As a result of this organizational change, the Department will no longer have the capacity to conduct special investigations and other special assignments that are often conducted by the Assistant Chief; the City will instead need to fully rely upon the state police and the County Sheriff’s Office for investigative support.

It is recognized that the City is currently staffed with both a Chief and an Assistant Chief position and that both incumbents serve the City well. Further, the initiatives included in the Recovery Plan are intended to be implemented without requiring layoffs, wherever possible. If possible, this initiative

should therefore be implemented through attrition rather than layoffs. However, in light of the City's financial condition, the Assistant Chief position shall be eliminated by 2015.

Prior to implementation, the City Manager should discuss this matter with its City Solicitor concerning any legal issues that may relate to the elimination of this position.

WF Initiative 3: The City shall limit annual base salary increases, effective in the next calendar year, for all City bargaining units to the rate of inflation as defined in the unadjusted percent change in Consumer Price Index for all Urban Consumers (CPI-U) from September 30 of the current calendar year to September of the prior calendar year, up to a maximum of 3.0% per year. For example, base wages in calendar year 2015 would be limited to the average unadjusted percent change in the CPI-U from September 2013 through September 2014. Previous iterations of the City of Duquesne's Recovery Plan have always included limits on expenditure growth. For employees, negotiations over base wage and salary increases from 2000 through 2002 were limited to the CPI-U with a cap of 3.5%. If the annual increase Consumer Price Index - U (urban) exceeded 3.5%, then only half of the increase beyond 3.5% was provided beyond the annual cost of living adjustment. This initiative, revised to reflect base salary increase cap of 3.0% per year, shall remain in effect until the City adopts another amended Recovery Plan or exits the Act 47 program, provided the initiative does not conflict with overall expenditure limits for bargaining units, as defined elsewhere in Workforce Initiative 5 of this Recovery Plan.

WF Initiative 4: Effective January 1, 2014 and continuing through December 31, 2017, the base percentage of fringe benefits to wages/salary shall not exceed the existing percentages defined below. There shall be no changes or additions to any employee benefit which would result in any increased cost to the City or which would have unknown or uncapped future costs unless mandated by law as an expense of the City as an employer. Any change or addition to an employee benefit in future collective bargaining agreements shall be costed out to determine the financial impact on the City and such estimated costs of benefits for all employees within a bargaining unit expressed as a percentage of wages/salary shall not thereafter exceed percentages in the following schedule: ¹

- Effective January 1, 2014 and continuing through December 31, 2017, the base percentage of fringe benefits to wages/salary shall not exceed the existing percentage of 20% for the Police Department.
- Effective January 1, 2014 and continuing through December 31, 2017, the base percentage of fringe benefits to wages/salary shall not exceed the existing percentage of 29% for non-uniformed employees.

This provision shall apply to all future collective bargaining agreements or arbitration awards in effect after adoption of these amendments to the Recovery Plan. This initiative remains in effect until the City adopts another amended Recovery Plan or exits the Act 47 program, provided it does not conflict with overall expenditure limits for bargaining units, as defined elsewhere in the Recovery Plan.

¹ Fringe benefits include, but are not limited to, life insurance, health insurance, pension contributions, dental, vision, boot allowance, and tuition reimbursement.

WF Initiative 5: The City's cost for health and welfare insurance shall be capped and subject to employee co-payment in accordance with the following provisions: ²

- Increases in hospitalization and health insurance premiums and vision and dental premiums shall each be limited to five percent (5%) annually from the levels existing at the time of adoption of these Recovery Plan Amendments.
- Should the annual premium increase by more than 5%, then the City and bargaining unit shall meet for the purposes of identifying opportunities to limit the annual premium rate increase to 5% or less.
- Should the City and bargaining unit be unable to limit the annual premium rate increase to 5% or less, increases in excess of 5% shall be paid by the employee as a co-payment. Life insurance coverage upon retirement shall not be provided for any present or future employee who is not currently guaranteed such a benefit.

The City has agreed to participate in an affordable Medical Health Insurance Coalition, known as COGCare. Since the Twin Rivers COG is a COGCare member, its municipal members can take advantage of cost reductions via the UPMC Health Plan. The City is hopeful that participation in the coalition will result in health insurance savings. The City and the Act 47 Coordinator will also continue to seek ways to reduce health care insurance expenses for the City.

WF Initiative 6: The City shall limit total growth in non-health insurance related bargaining unit and non-bargaining unit workforce expenditures to 1% per year above 2014 projected expenditure levels and health insurance related expenditures to 5% per year above 2014 projected expenditure levels. In addition to base wages and salary, the City provides compensation to employees in such forms as, among other things, health and welfare insurance, FICA/Medicare, unemployment compensation, workers compensation, holiday pay, vacation and sick leave, and particularly for uniformed employees the City provides overtime pay, uniform allowance, out of rank pay, court appearance pay, educational expense and longevity. These costs escalated greatly in recent years. These increases have become a major financial burden over time. It is critical not only that the City control base salary and benefit expenses, but these additional expenses as well and that overall bargaining expenditures be controlled as condition of financial recovery.

The City and Teamsters Local Union Number 205 maintain three active collective bargaining units for: 1) Police Officers; 2) Blue Collar Employees, and 3) Clerical Employees. The following table summarizes the total expenditure limitations for each bargaining unit and for non-represented City employees through 2018, which is the term of the Recovery Plan financial projections.

The following table sets forth the limits on projected expenditures for individual collective bargaining units as authorized by Act 133. A detailed line comparison of projected expenditures and Act 133 limitations for each bargaining unit and for non-represented employees are included as Attachment B for reference. These expenditure caps summarized below can be exceeded only if off-setting concessions are granted elsewhere in bargaining agreements.

² Health care costs include health insurance, dental insurance and vision insurance.

**Act 133 Bargaining Unit Limits on Projected Expenditures
City of Duquesne
2014 - 2017**

<u>Employment Group</u>	<u>Expenditure Category</u>	<u>Annual Limit</u>	<u>2014 Projected</u>	<u>2015 Projected</u>	<u>2016 Projected</u>	<u>2017 Projected</u>
Police	Non-Healthcare Expenses	1%	910,311	919,414	928,608	937,894
	Healthcare Expenses	5%	227,036	238,388	250,307	262,823
	Workforce Initiative 2		0	-73,187	-75,498	-77,940
	Total Police		1,137,347	1,084,614	1,103,417	1,122,777
Blue Collar	Non-Healthcare Expenses	1%	208,660	210,747	212,854	214,983
	Healthcare Expenses	5%	74,300	78,015	81,916	86,012
	Total Blue Collar		282,960	288,762	294,770	300,994
Clerical	Non-Healthcare Expenses	1%	126,104	127,365	128,638	129,925
	Healthcare Expenses	5%	62,000	65,100	68,355	71,773
	Total Clerical		188,104	192,465	196,993	201,697
Non Represented	Non-Healthcare Expenses	1%	139,362	140,756	142,163	143,585
	Healthcare Expenses	5%	7,464	7,837	8,229	8,640
	Total Non-Bargaining Unit		146,826	148,593	150,392	152,225
All Employees	Non-Healthcare Expenses	1%	1,384,436	1,398,280	1,412,263	1,426,386
	Healthcare Expenses	5%	370,800	389,340	408,807	429,247
	Total		1,755,236	1,787,620	1,821,070	1,855,633

In addition to the workforce related initiatives detailed above, Attachment A includes a number of additional workforce related initiatives from previous versions of the City's Recovery Plan. Those initiatives remain in effect unless otherwise noted in Attachment A.

Revenue

Revenue Collection Studies

Revenue (REV) Initiative 1: The City shall initiate a review of the City's Real Estate Tax Collection, Non-property Tax Collection, and Water and Refuse fee Collection practices, to be completed by 2015. This initiative is an ongoing initiative that has been included in previous iterations of the City's Recovery Plan. Given the potential positive impact that such studies may have on revenue generation, they are being emphasized for consideration during the 2014 and 2015 work plan. It is important to note, however, that the City will require support to complete these studies and successful completion by 2015 will be contingent upon receiving that support. Where appropriate, the City Manager shall request Peer-to-Peer assistance through the Local Government Academy and the Act 47 Coordinator to assist in these studies. The following provides further clarification regarding the action steps required to complete each study, which are listed in order of priority:

- **Real Estate Tax Collection Study:** The City's collection rate for its current real estate taxes is below acceptable standards established by credit rating firms. A municipality should collect from 92 percent to 95 percent of its current levy each year; the most recent auditor's

report shows a collection rate of 87 percent of the City's current levy. The low rate obviously has a negative impact on tax yield. Steps need to be taken to address this problem. A review and evaluation process should address: 1) Reasons for the occurrence of real estate tax delinquencies; 2) Need for procedures to address assessment inequities; 3) Ways and means to facilitate taxpayer compliance with tax laws; 4) Need for a policy for the use of real properties acquired for non-payment of taxes; 5) Capability of existing real estate computer software to improve the collection process.

- **Non-Property Tax Collection Study:** Though City officials may be satisfied with the current program for the collection of non-property taxes, it is sound public policy to periodically evaluate various municipal activities and programs. The proposed study should be concerned with whether an alternative collection process should be adopted. In addition to the factor of cost, the review and evaluation of the collection arrangements for non-property taxes should consider such program components: 1) Accuracy and completeness of tax rolls; 2) Existence of a bankruptcy policy; 3) Types of fiscal and performance reports provided by the collector; 4) Use of a lock box collection process; 5) Functioning of the tax return verification tax enforcement programs; 6) Process to review and update tax regulations; 7) Existence of tax exemption and tax refund programs; 5) Working of a formal appeal and hearing process
- **Delinquent Fees Study:** The City's annual balance sheet shows over \$155,000 in delinquent service charges. Steps must be taken to determine what can be done relative to the collection of the accounts receivable and to reduce subsequent delinquencies. The City should consider quarterly billing, lump sum payments of the solid waste collection fee, use of a lockbox system and automatic checking account deductions for the various utility fees. As a start in the improvement of the fee collection process and, assuming the City Solicitor considers such action legal, the City should consider adopting an ordinance mandating that landlords withhold service charges from rents and periodically transfer these withholdings to the City's Treasurer.

Payments in Lieu of Taxes

REV Initiative 2: The City shall initiate discussions with non-profits and government agencies housed within the City of Duquesne to develop Payments in lieu of Taxes (PILOT) to defray the cost of providing municipal services to organizations that do not pay Real Estate taxes in the City. Currently, over 40 percent of the City's assessed valuation of real property is categorized as exempt. In order to guard against further erosion of its primary tax source, it is appropriate to begin discussions to generate PILOT revenue. In addition, the City shall develop a process of evaluating, on an annual basis, properties categorized as exempt to ensure that they still meet the criteria for exemption. This initiative was included in previous iterations of the Recovery Plan; however, given the revenue generating potential, it is emphasized for consideration in 2014 and 2015.

Real Estate Tax and Other Liens Sales

REV Initiative 3: The City shall continue to sell real estate tax liens as the opportunity arises. The City should consider selling liens for delinquent water, sewer and solid waste charges and municipal claims. The City's latest balance sheet reports over \$210,000 accounts receivable is due:

Sewer charges	31,386
Water charges	89,199
Refuse charges	34,424
Municipal Claims	<u>55,360</u>
	\$210,369

These accounts receivable are viewed as collectable. The auditors have written off as non-collectable about \$96,000 in charges and claims. The Pittsburgh Water and Sewer Authority sold its liens on water charges to Capital Assets at between 50% and 100% of face value depending on an estimation of how easy the liens could be collected. The City of Pittsburgh also sold its liens on sewer charges to the same firm. The City could collect a reasonable amount of foregone revenues by these means, and could set aside in the rainy day fund or capital reserve fund the money it receives from the sale of the liens.

In addition, the City, with the support of the Recovery Plan Coordinator, shall conduct an evaluation of its water-shut off procedures in 2014 to determine what procedural improvements can be implemented to improve the collection of delinquent water fees.

Earned Income Tax Rates

REV Initiative 4: Beginning in 2015, the City shall begin gradually reducing Non-Resident and Resident Earned Income Tax rates according to the schedule detailed below. The Act 47 portion of earned income taxes accounts for about 42% of the current earned income tax yield. The yield from this Act 47 authorized levy has contributed significantly to the City's improved fiscal condition.

Unfortunately, dependency on the use of this revenue source will deter the City's ability to exit Act 47. Additionally, the authority to use the Act 47 power is conditioned upon approval by the Court of Common Pleas. Court approval is not automatic and it is required annually. Affirmative action by the court is not guaranteed, particularly if the City's fiscal position continues to improve. The City needs to reduce and ultimately end this dependency on Act 47 income taxes.

In 2011 the Resident EIT had been 1.15 and continued into 2013 with Court approval in January 2013. It is expected that this rate will again be approved by the Commonwealth Court for 2014. The Non-resident EIT rate for 2014 is 1.30.

Since at least 2000, the City's adopted Recovery Plan has included a initiative to reduce both the Resident and Non-resident EIT rates in the City. However, financial and operating conditions in the City have not permitted the City to responsibly act upon the initiative .

This amended version of the Recovery Plan includes several initiatives to increase revenue and limit General Fund expenditures. If offsetting revenue increases and expenditure reductions can reasonably be achieved in 2014 and 2015, in 2015 the City shall begin a two-year phased reduction in the Resident EIT and Non-resident EIT rates. It is recommended that the Resident EIT be reduced to 1.10 in 2015, to 1.0 in 2016 (but no later than 2017), given local/regional economic conditions), though variations in the level of each phased reduction may be permitted to reflect financial and operating conditions. It is recommended that the Non-resident EIT rate be lowered to 1.15 in 2015 and 1.0 in 2016 (but no later than 2017). As with the Resident EIT, variations in the level of each phased reduction may be permitted to reflect financial and operating conditions. Eliminating its reliance on the Act 47 enabled portions of the EIT rates is the critical step toward moving the City towards an exit from the Act 47 program.

In addition to taking this step, the City shall immediately begin to discuss the home rule process as provided in Act 62 (MGMT Initiative 1 of this Recovery Plan). Becoming a home rule municipality will enhance the City's taxing powers. Home rule local governments are authorized to exceed taxing rate limits on earned income taxes contained in Act 511 on residents. The City would be able to replace the reduced Act 47 portion with earned income taxes levied under the City's own home rule authority. Also, if the City achieves home rule status, the rates of the City's real estate transfer taxes could be increased, if the City deems such action as appropriate. This evaluation shall be

completed by the City, with the assistance of the Act 47 Coordinator in 2014, with the goal of finalizing the charter amendment process by the close of 2015.

City Services

Since entering Act 47, the City of Duquesne has significantly decreased the number and complexity of services that it provides to Duquesne residents. Those services that the City directly provides are limited to police protection, code enforcement, street and highway maintenance, and water distribution system maintenance. The Sanitary Sewer system was sold to the Municipal Authority of the City of McKeesport in 2010; as a result, the City no longer maintains the sewer collection and conveyance system. Fire protection is provided by a volunteer fire company, with limited financial support of the City. Refuse and recycling collection is provided via a third-party contractor, Waste Management. The City does not provide active recreation programming but does maintain ball fields and parkland that can be used by City residents. The City utilized the Twin Rivers Council of Government for Community Development Block Grant (CDBG) and other grant administration and some joint-purchasing.

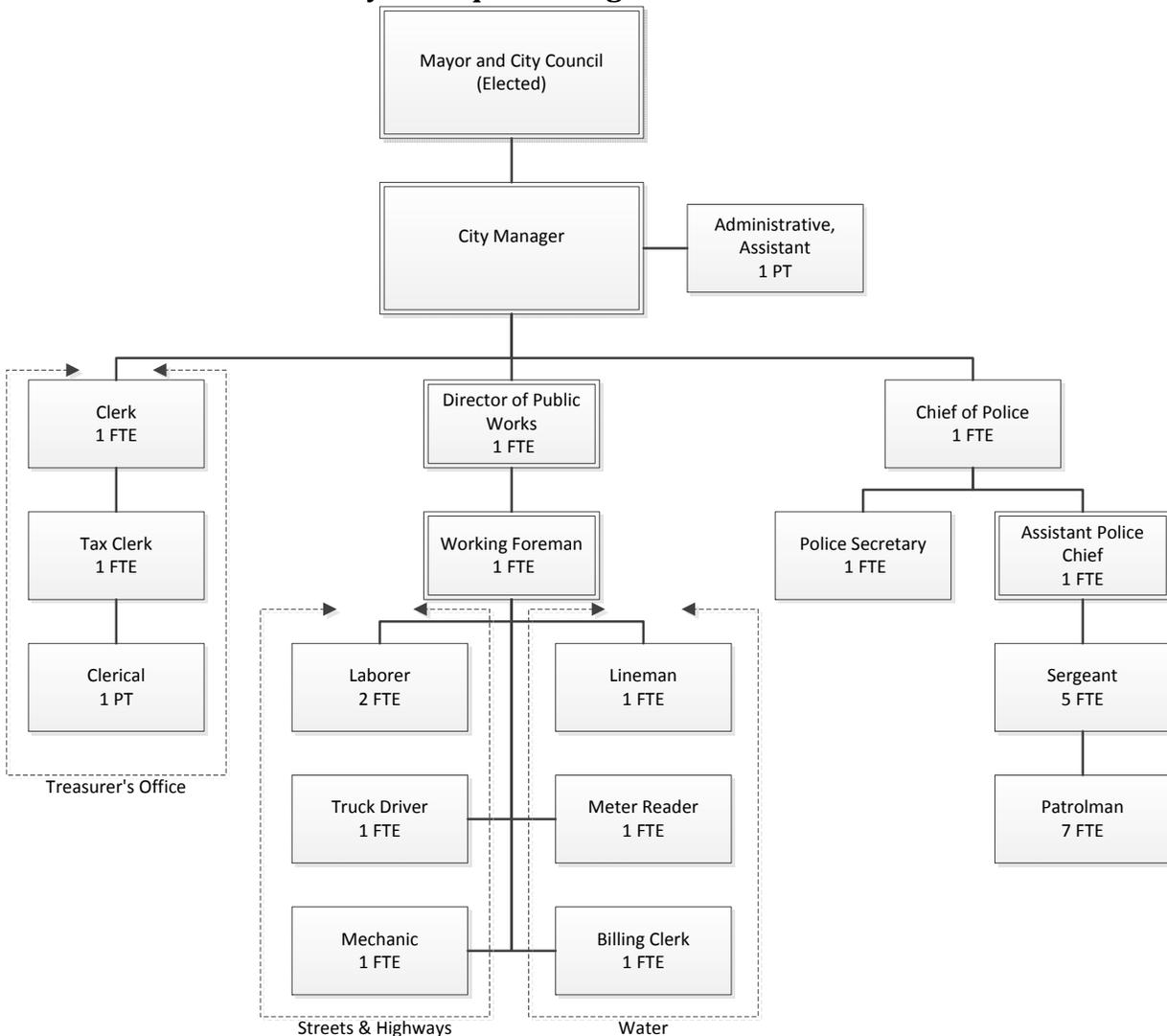
The City of Duquesne operates under a Commission form of government whereby individual City Council members have direct responsibility for overseeing individual City departments. The day-to-day operations of the City are managed by the City Manager. In total, the City of Duquesne is staffed with 27 full-time and two part-time employees who work in one of five primary work units: 1) City Manager's Office; 2) Treasurer's Office; 3) Streets and Highways; 4) Water, and; 4) Police. The following summarizes the major responsibilities of each work unit.

- **City Manager's Office** – The City Manager's Office is staffed with one full-time City Manager and one part-time administrative assistant. The City Manager is responsible for directing the activities of all City staff. The City Manager also functions in the role of Human Resources (HR) Manager, Information Technology (IT) Manager, Contract Manager, Budget Manager, and Finance Manager.
- **Treasurer's Office** – The Treasurer's Office is staffed with two full-time and one part-time clerical staff. Staff in the Treasurer's Office is responsible for all cash and credit card payment transactions, accounts payable, accounts receivable, and the City's daily and monthly account reconciliations. Staff in the Treasurer's Office also provides administrative support to other City work units such as water, streets and highways, and police.
- **Streets and Highways** – The Streets and Highways crew and the Water crew are managed by the Director of Public Works. The Director of Public Works, in addition to managing these crews, serves as the City's Code Enforcement Officer, which absorbs a significant amount of the Director's time. On a day-to-day basis, the Streets and Highways crew is staffed with four full-time equivalent (FTE) employees who are managed by a Working Foreman. The Streets and Highway crew completes road and highway maintenance, maintains storm sewer inlets, maintains City parkland and, in the spring, summer and fall seasons, cuts the grass at vacant lots in the City. In fact, this last activity absorbs the majority of their time because of the large number of vacant lots in the City. The Streets and Highways crew also completes basic preventative maintenance on City vehicles, though many repairs are contracted. If time allows, the Streets and Highways unit will complete tear downs of vacant buildings, though many of these tear downs are contracted as well.
- **Water** – The Water crew, like the Streets and Highway crew, is managed by the Director of Public Works and the Working Foreman. The Water crew is staffed with three full-time personnel. The Lineman and Meter Reader are responsible for both reading meters and repairing water main breaks and leaks in the City. Support in these activities is sometimes provided by the Streets and Highway crew. The Billing Clerk processes water payments, service shut-offs, and serves as the customer service contact for the water bill related questions. The City does not operate a water treatment facility; rather, it purchases water wholesale from the Municipal Authority of Westmoreland County.

- Police** – The Police Department is led by a Police Chief and an Assistant Police Chief and is staffed with five sergeants, seven patrolmen, and one civilian secretary who functions as the department’s office manager. The Police Department responds to emergency calls for service and provides proactive patrol of the City. Emergency dispatch is provided by the County and criminal investigations are provided by the County as well. The Department does not staff a specialty police unit, instead focusing limited resources on core patrol functions.

The following organization chart summarizes the 2014 staffing compliment and reporting relationships for the City of Duquesne in each of the five major working units.

City of Duquesne Organization Chart



The total projected 2014 General Fund expenditures are approximately \$4,092,000. The following table summarizes the projected spending by area of operations from 2014 through 2018.

Operations Expenditure Projections
City of Duquesne
2014 – 2018
(Without Implementation of 2014 Revised Recovery Plan Initiatives)

Account Category	2014	2015	2016	2017	2018	Change 2014 - 2018	
	Projected	Projected	Projected	Projected	Projected	\$	%
General Government - Administrative	\$585,658	\$601,955	\$607,928	\$614,235	\$620,617	34,959	6.0
Police	1,408,056	1,483,330	1,508,044	1,524,438	1,541,006	132,950	9.4
Fire	136,626	136,626	136,626	136,626	136,626	0	0.0
Sanitation	371,250	371,250	371,250	371,250	371,250	0	0.0
Streets & Highways	436,624	441,087	445,974	451,164	456,410	19,785	4.5
Recreation & Culture	2,750	750	750	750	750	-2,000	-72.7
Debt Service	981,592	981,592	981,592	981,592	981,592	0	0.0
Insurance	170,000	171,080	172,263	173,519	174,789	4,789	2.8
Miscellaneous	0	0	0	0	0	0	0.0
Total Expenditures	\$4,092,556	\$4,187,669	\$4,224,427	\$4,253,574	\$4,283,039	190,483	4.7

As previously discussed, the City of Duquesne is providing a basic level of services. However, in light of the City's financial condition and recognizing the need to position the City to exit the Act 47 program, it is important to regularly evaluate City operations to identify opportunities to achieve cost savings and/or improve operations.

Previous iterations of the Recovery Plan included initiatives pertaining to City operations. While some of those initiatives have been completed, many are still ongoing. Those initiatives, along with narrative status updates are included in Attachment A. However, there are also new or revised initiatives that are included in the section below that the City can begin pursuing in 2014 and beyond.

Police Department

The Police Department is the largest City Department and department expenses represent over 34% of the City's total General Fund budget. Services and staffing levels in other City departments have been gradually reduced over the years and a detailed review of these operations indicates that there is no clear opportunity for staffing reductions or outsourcing as a means to decrease General Fund expenditures. However, there are some opportunities to achieve savings in the Police Department.

City Services (CS) Initiative 1: The City shall revise the Police Patrol Schedule to appropriately staff peak workload periods on the weekend. Currently, the Police Department operates under an eight-hour shift schedule, which in most circumstances proves to be the most cost effective schedule to operate. However, the Police Department's scheduling configuration is structured so that many officers' days off occur on weekends. Unfortunately, this creates a significant operational challenge because weekends are often the busiest periods for emergency call workload. The City shall therefore work to revise the Police Department's patrol shift schedule to appropriately accommodate peak workload periods. This will require negotiation with the Teamsters Union and should therefore be slated for inclusion in the 2014 collective bargaining process.

CS Initiative 2: The City shall initiate discussions with neighboring jurisdictions to evaluate the feasibility of developing a regional police department or contract policing model. Since the original Recovery Plan was adopted in 1993, the Recovery Plan has included initiatives to explore the possibility of developing a regional policing model. To that end, the City has made great strides in working with neighboring jurisdictions, county, state, and federal law enforcement agencies

to provide policing services to the residents of the Duquesne. However, the City and its neighboring jurisdictions have been unwilling to agree on the need for such a model. With rising policing costs, and considering the financial difficulties that both Duquesne and its neighbors have faced since the Great Recession, it is appropriate to re-evaluate the opportunities available to achieve cost savings through intergovernmental cooperation. To that end, the City, with the active support of the Act 47 Coordinator, shall begin discussions with the political leaders of neighboring municipalities to assess what opportunities exist, if any, to develop a regional policing or contract policing model. Initial discussions should begin with the City of McKeesport and West Mifflin Township.

Intergovernmental Service Sharing

Previous iterations of the City's Recovery Plan have included initiatives for the City to pursue opportunities for intergovernmental service sharing. The City, to its credit, consistently looks for opportunities to achieve savings through intergovernmental cooperation. However, there are some specific opportunities that the City can pursue in 2014 and 2015 that may result cost savings and/or enhanced services.

CS Initiative 3: The City shall pursue intergovernmental cost-sharing opportunities and regional opportunities to decrease expenditures in 2014 and 2015. The City's efforts in 2014 and 2015 should focus on the following areas:

- **Joint Purchasing** – The City should initiate discussions with neighboring jurisdictions and the County to explore opportunities for joint purchasing and contracting. For example, the City currently enters into a contract annually for the demolition of vacant properties in the City. The City should initiate discussions with neighboring jurisdictions to evaluate the opportunity to create a joint demolition contract that may enable the City and its neighbors to achieve relative cost savings per vacant property demolished. Ultimately, this would enable the City to demolish more debilitated properties per year, which is a critical need in the City since blight affects every element of the City from crime patterns to economic development.
- **Vehicle and Heavy Equipment Pool** – Given the City's financial condition, it is often a challenge for the City to purchase or lease equipment that may make the day-to-day work of employees more efficient. Moreover, it is often not cost effective to purchase pieces of specialty equipment (e.g., a street sweeper) at a high cost when those pieces of equipment will only be used during limited periods. One way that many jurisdictions have addressed this issue is to develop heavy equipment pools with neighboring communities. This allows several jurisdictions to share the expense of costly specialty equipment while maximizing both the availability and utilization rate of said equipment. This is one area where the City may be able to identify opportunities to enhance the level of service it provides to its residents. The City shall begin this initiative by conducting an equipment needs assessment and then initiating discussions with neighboring jurisdictions to assess the opportunities available for equipment sharing. The City shall also initiate discussions with the Twin Rivers Council of Governments to determine what additional equipment sharing opportunities exist through the COG; the COG currently provides its members with the opportunity to rent a street sweeper if needed.
- **Twin Rivers Council of Government (TRCOG)** – The City maintains a positive working relationship with the TRCOG, utilizing the TRCOG for grant administration, special equipment rental, research projects, and some joint contracting and purchasing. The City and the Recovery Plan Coordinator shall initiate discussions with the COG to determine if additional service sharing opportunities are available. These discussions should initially focus on the following key areas:
 1. Code enforcement - In the past, the TRCOG maintained a staff of personnel who provided code enforcement services to participating communities. This served as a means for communities to proactively focus on improving blight areas without taking on the cost of hiring full-time personnel. However, COG members voted to disband

the service. In Duquesne, the City's Public Works Director now also serves as the City's Code Enforcement Officer.

2. Building plan review - The City's Director of Public Works is certified to conduct code enforcement activities; however, the incumbent is not verified to complete building plan reviews or ADA accessibility reviews. As a result, the City must contract with a third-party vendor. There may be an opportunity for the TRCOG to develop an internal plan review function and/or develop a joint contract for building plan review services that its members can utilize to achieve savings through economies of scale.
3. Recreation programming – The City, through services reductions, has eliminated all active recreation programming in the City. The City maintains passive recreation space, including parks, basketball courts, and ball fields, and also seeks to collect grants to improve passive space and implement one-time recreation programs. At one time, the TRCOG provided some limited programming but the services were eliminated due to lack of member support. The City should initiate discussions with the TRCOG to determine what, if any, recreational programming can be developed and/or coordinated through the TRCOG.

Duquesne City School District

The financial decline that has so greatly impacted the City of Duquesne has also fundamentally impacted the Duquesne City School District (DCSD). The Duquesne City School District has been in fiscally distressed status since 2000 and in 2013 the School District was placed under the Receivership of the Pennsylvania Department of Education. A Recovery Plan for the DCSD was adopted in 2013 that detailed a series of initiatives designed to address the educational and financial issues confronting the District. The City's prospects of exiting the Act 47 program are inextricably linked to the School District's progress toward implementing that Plan.

In order for the City to successfully exit the Act 47 program, it must achieve sustainable growth in its tax base. The City's tax base will not grow at the requisite rate without improvements in the education system. A school system is one of the most important factors driving population growth in residential communities such as Duquesne. Conversely, the School District will not be able to address its most critical financial issues without the City's support to clean up blight, promote economic development, and attract new residents to the community. The conditions and amenities of a community, which largely fall under the purview of the City of Duquesne, are equally important factors in building the City's tax base.

To that end, it is important that the City and the School District work closely together to support implementation of each other's respective Recovery Plans.

CS Initiative 4: The City shall initiate discussions with the Duquesne City School District, the Receiver, and the Recovery Plan Coordinator to identify and implement opportunities for service sharing that mutually benefit the City and the School District's efforts to exit fiscally distressed status. Those discussions shall include, but not be limited to, opportunities in the following areas:

1. **Delinquent Real Estate Tax Collections:** Real estate taxes are one of the most important locally generated sources of revenue for the School District and the City of Duquesne. Both the City and the School District's Recovery Plans include initiatives designed to increase collection rates for delinquent real estate taxes. The City and the School District should work together to evaluate their delinquent tax collection processes and assess what opportunities may exist to enhance collections.
2. **Duquesne Education Center (DEC):** The Duquesne City School District at one time provided primary and secondary education. Now the District pays tuition to the West Mifflin Area and East Alleghany School Districts for Duquesne children to attend middle schools

and high schools in those districts. The Duquesne City School District now only provides direct primary school education to Duquesne children. The School District's Recovery Plan includes the initiative to replicate the tuition-based model with the primary school and to either lease out the unused space in the DEC or mothball the facility. The City should work with the School District to evaluate the potential alternative uses of the DEC and market the DEC as part of the City's economic development efforts.

3. **Duquesne Athletic Center (DAC):** The Duquesne City School District maintains the DEC which is approximately 9.5 acres of land including passive open space, a football field with bleachers, a baseball field and a basketball court. The City maintains separate parkland and open spaces. Each entity maintains a cadre of staff to maintain these recreational amenities. The City and the School District should evaluate whether an opportunity exists for the City to take over maintenance of the DAC through a service agreement or service swap.
4. **Administrative and Professional Staff:** Both the City and the School District maintain a cadre of administrative staff. The City and the School District should begin discussions to determine if opportunities exist to conduct a service agreement for back-office support and administrative functions, such as payroll processing, purchasing transactions, etc. A service swap may allow the City and the School District to enhance the level of administrative support without adding additional expense.
5. **Joint Purchasing:** The City and the School District should work to conduct an assessment of each entities' service contracts to determine if any opportunities exist to jointly bid for commodities, professional services, or equipment so that savings may be generated through economies of scale.

These initiatives represent some examples of how the City and School District can support each other's efforts to implement their Recovery Plans; however, it is also important to develop a process of regular communication and coordination so that opportunities can be identified and pursued on an ongoing basis. It is incumbent upon the elected and appointed leaders of the City of Duquesne to build and maintain a regular dialogue and provide mutual support wherever possible.

ACT 47 Grants

The initiatives detailed in this Plan and associated attachments will require the diligent work of City staff and the active support of the Recovery Plan Coordinator to accomplish. However, it is important to recognize that the City has limited staff resources and so many of the initiatives included in the Plan will require outside support. This issue is compounded by the City's financial condition, which limits its ability to fund third-party support.

As a condition of Act 47, the City has the opportunity to solicit the Commonwealth for grants and direct funding to support its efforts to exit Act 47 status and address emergency issues that may arise. Some of the initiatives included in this Plan that may require funding support from the Commonwealth. Those initiatives are summarized below in the order that they appear in this Plan:

- Finance and Budget Initiative 4 calls for the City to work with its auditors to complete an indirect cost allocation study to determine the appropriate limits to place on all enterprise fund transfers to the General Fund for administrative expenses. The cost of this study is not expected to exceed \$10,000. This initiative will be pursued following the resolution of the structural deficit in the Water Fund.
- Finance and Budget Initiative 2 states that the City shall eliminate General Fund Support to the Water Fund by the end of 2014. General Fund support is required because of a large disparity between the number of gallons of water that MWAC bills the City for actual metered usage. Though the source of this disparity is under investigation, it could be due to faulty or outdated water meter infrastructure. If this is the case, the City will need to update its metering system. The cost of such an update cannot yet be determined; however, the City will need financial support from the Commonwealth to complete this capital project.
- Revenue Initiative 1 calls for the City to initiate a review of the City's Real Estate Tax Collection, Non-property Tax Collection, and Water and Refuse fee collection practices. The Recovery Plan Coordinator will support the City's efforts to review these processes with the goal of maximizing revenue; however, an additional peer study or consultant study may be required. In the event that such a study is a required, financial support will be requested from the Commonwealth.
- City Services Initiative 3 calls for the City to evaluate the feasibility of developing a regional police department or contract policing model. This will involve extensive discussions with neighboring communities who must agree to pursue the concept before a detailed study could be completed. However, if conceptual agreement is to be achieved, a feasibility study to evaluate alternatives and financial impact for each participating jurisdiction will need to be completed. The City's Recovery Plan Coordinator has extensive experience conducting police department organizational and staffing reviews; however, a third-party study may be an important requirement for stakeholders. The City would require support from the Commonwealth to fund that study. Such a study should not exceed a cost of \$50,000.
- Finance and Budget Initiative 12 states that the City should develop a master computerized housing and business directory. The purpose of this initiative is to better enable the City to ensure that its taxpayer data is up-to-date, which should in turn improve the City's tax collection rates. The Recovery Plan Coordinator will work with the City to determine how such a database could be developed (e.g., what data sources are available and how they can be accessed). However, the City does not maintain IT personnel and, as a result, would need to contract for the development of a directory that is both easy to utilize and easy to update. The cost of developing such a database should not exceed \$30,000.

These represent those plan initiatives known to require, or potentially require, Commonwealth funding support to accomplish. However, there may also be additional projects or programs that would contribute to the City's goal of exiting Act 47. The Commonwealth's continued support with these kinds of projects will also be important.

Conclusion

The City of Duquesne has experienced its fair share of challenges. It has experienced a significant decline in population, a shrinking tax base, and all of the associated impacts on the delivery of City services. However, the City has also worked hard to persevere through these challenges and has sought, at every turn, to meet the needs of its residents and businesses despite the challenges that it has faced. The City will continue to face challenges, but with these are opportunities as well.

The City of Duquesne may be in a position to move out of the Act 47 program over the next five years if the broader financial condition of the country and the City continue to improve and the City acts upon those initiatives that will help it achieve sustainable self-sufficiency. The City is fortunate to have a dedicated City Council and professional and dedicated staff. With these tools, and the support of the Act 47 program, the City can achieve this goal.

Attachment A – Prior Plan Initiative Implementation Status Update

Community Development

The community development strategy focuses on creating and strengthening community assets necessary for development and growth. The City's community assets include amenities, existing housing stock, and public infrastructure.

CD Initiative 1: The City should work with the Duquesne City School District to solicit the West Mifflin or McKeesport Area School Districts, or perhaps even the Steel Valley School District, to develop a tuition-based model for primary school students to attend their schools.
initiative

Commentary: A crucial amenity in the community is the public school system. The future of the City is inextricably linked to the success or failure of the school system. The City is only as attractive to the existing and potential residential and business base as the school system allows. The City and Duquesne City School District should mutually support each other's' actions to ensure an educated, economically vibrant community which will attract new residents, grow the tax base, and coordinate resources.

CD Initiative 2: Public Access to the Riverfront and Integration into the Regional Riverfront Heritage Trail Program

Commentary: Complete.

CD Initiative 3: The City shall work with the Regional Industrial Development Corporation (RIDC) to provide public access and passive recreational use of the riverfront, especially at the end of the Grant Avenue extension on the site of the former Duquesne Works. In conjunction with the RIDC, the City shall work with the Allegheny Trail Alliance and the Steel Industry Heritage Trail Council to ensure that the trail alignment extends from McKeesport across the river and permits access to the Duquesne riverfront.

Commentary: For decades, City residents have not had access to their riverfront. Reclaiming the riverfront with public access, including an extension of the Steel Industry Heritage Trail, and other passive recreation opportunities is an important strategic investment. Access to the riverfront will be limited due to the current ownership and uses along the river's edge by the McKeesport Connecting Railroad. However, at the end of Grant Avenue, the RIDC currently owns a right-of-way to the riverfront and about 150 feet in each direction. This location is also the site of the planned staging wharf by the Army Corps of Engineers during the rebuilding of the lock and dam over the next eight years. At the conclusion of this project, the Army Corps of Engineers will dedicate the wharf and related easements to the City of Duquesne. The City will be able to use this important amenity for community uses, including public dockage, transient boating slips, and community recreation.

CD Initiative 4: The City shall oversee and coordinate the implementation of its updated comprehensive plan consistent with community and economic development goals, objectives, and standards.

Commentary: The City's Comprehensive Plan is being revised. This land use plan should reflect the dramatic changes in the economic and demographic characteristics of the City over the last three decades. The Comprehensive Plan should guide the City's public and private community development efforts.

With the deterioration of the City's economic base, remaining land uses are haphazard and inconsistent. Neighboring land uses are not complementary. The Comprehensive Plan should ensure that such investments are consistent and mutually supportive and that property values will be preserved. Upon adoption of the updated Comprehensive Plan, the City should update its zoning ordinance to be consistent with the Comprehensive Plan. The Zoning Ordinance should enforce planned residential, commercial, and riverfront land uses in order to ensure the City's community quality and character. The deterioration of the City's building stock is consistent with the economic decline of the area. The City must be aggressive in enforcement of existing building codes in order to provide incentives to property owners to maintain their properties to provide assurance to others that their property values will be maintained.

CD Initiative 5: The City shall adopt a new zoning ordinance consistent with adopted community and economic development goals, objectives, and standards as specified in the updated comprehensive plan.

Commentary: The City will revisit and update the zoning code following the comprehensive plan update, which is scheduled to be completed in 2014.

CD Initiative 6: The City shall support and strengthen code enforcement and adopt code updates on a timely basis.

Commentary: Currently, the Director of Public Works serves as the City's Code Enforcement Officer and is certified to complete most code enforcement inspections on existing properties. However, commercial and residential building plan reviews, new construction inspections and ADA accessibility reviews and inspections are conducted by a contracted third party. The City will evaluate opportunities for enhancing the certification level of the Director of Public Works and also evaluate opportunities for an intergovernmental approach to plan review and inspections through the TRCOG and/or neighboring communities.

CD Initiative 7: The City shall develop a housing strategy that integrates with the City's comprehensive plan and economic development initiatives. The serious deterioration of the City's housing stock is a problem observed throughout most of the Mon Valley. Again, the loss of the industrial economic base of the community led to an outmigration of residents over the last three decades. The remaining property owners are, largely, elderly, poor or absentee landlords renting to low and moderate income families. Historically, these property owners have difficulty maintaining and reinvesting in their properties. Making matters worse, many housing properties are left vacant, derelict, and abandoned. These abandoned properties are particularly problematic because they usually lead to disinvestment in neighboring housing and commercial properties.

The City has provided a variety of housing ownership and rental subsidy programs to City residents. These programs, available City-wide, have led to the successful disposition of vacant properties, the demolition of abandoned houses, and affordable mortgages for low and moderate homeowners and renters. These housing programs, funded mainly with Community Development Block Grant funding, are targeted to distressed populations, usually characterized by low- and moderate-incomes. However, an updated housing strategy should be developed.

The new housing strategy should:

- Encourage home ownership among existing residents;
- Attract new homeowners to the City;
- Revitalize homes on a targeted block-by-block basis to maximize their physical impact;
- Alleviate the tax burden for those homeowners making investments in their homes.

The primary focus of the new housing strategy should be to revitalize the distressed community. A secondary but desirable benefit would be to provide housing opportunities for the distressed population. Therefore, to the maximum extent possible, these strategy elements should be provided without regard to income guidelines. The housing strategy shall be included as an element of the updates comprehensive plan.

Commentary: The City is currently undergoing a comprehensive plan update that is projected to be completed in 2014. The scope of the comprehensive plan update also includes a housing strategy component. That element of the comprehensive plan will be further developed into a housing strategy and program by the City, with the assistance of the Recovery Plan Coordinator.

CD Initiative 8: The City shall work closely with DCED, Allegheny County and other agencies that provide housing assistance to Act 47 municipalities and shall strive to coordinate the housing plan efforts with the various other long-term planning and economic and community development programs in the City and region.

As part of this coordination, the City shall sign the memorandum of understanding between Allegheny County and the Act 47 and Sanders municipalities that will qualify the City for supplemental competitive pool housing funds.

Commentary: The Sanders Task Force is no longer in operation. Admin for Housing is centered within the Allegheny County Department of Economic Development. The City has been working with Action Housing and the Allegheny County Housing Authority, as well as Greater Pittsburgh Habitat for Humanity for new housing developments throughout the City. This initiative continues as a priority for the City.

CD Initiative 9: The City shall seek to develop a home ownership marketing strategy to encourage existing residents to purchase their homes and to attract new residents to move into Duquesne and purchase their homes.

Commentary: This initiative will be considered for inclusion in the comprehensive plan update process.

CD Initiative 10: The City shall establish a revolving loan fund for an owner-occupied home financing program. The new program shall encourage home purchases, rehabilitation to meet code requirements, and improvements to increase home values. The program shall not be targeted on the basis of homeowner income levels. The City should consider the feasibility of capitalizing such a program through an allocation of its Community Development Block Grant program to provide a partial guarantee or credit enhancement for tax-exempt bank bond issue. The proceeds from such a bond issue may be used to provide low-interest loans to middle income individuals and families. The City may consider structuring such a program in conjunction with neighboring municipalities facing similar needs. In addition, the City may consider submitting an application to the State's Communities of Opportunity Program for funding to capitalize such a program. The City should create a revolving fund with a principal amount of \$1.5 million over the next 3 years to capitalize the program.

Commentary: The City does not have the internal capacity to meet this goal and it is unrealistic for the City itself to embrace and administer. However, City partners have been and continue to be Action Housing, Allegheny County Housing Authority and the Greater Pittsburgh Habitat for Humanity toward evolving this goal in the past and into future years.

CD Initiative 11: The City shall continue its successful vacant property demolition program, including the use of the Vacant Property Review Program.

Commentary: The City currently embarks in an annual Demolition Program via CDBG funds from Steel Valley COG and recently from the Twin Rivers COG (to which it has belonged since 2010).

CD Initiative 12: The City should consider the development of new, owner-occupied housing on large sites acquired through the Vacant Property Demolition Program. These new housing projects should be targeted at middle income owners and include appropriate design standards and amenities to attract the target market.

Commentary: This goal has been reached and continues on an annual basis via the City's partnership with Action Housing, Allegheny County Housing Authority and the Greater Pittsburgh Habitat for Humanity.

CD Initiative 13: The City should consider instituting a five-year tax abatement in conjunction with a tax abatement from the School District and Allegheny County on new real estate taxes resulting from home improvements or rehabilitation.

Commentary: The City has taken the position not to offer any tax abatements for any property improvement, residential, commercial and industry alike. Much of its increased tax base has come from industrial developments/improvements in RIDC Duquesne Place, in spite of no tax abatement incentives.

Economic Development

ED Initiative 1: The City shall work with the PA Department of Community and Economic Development and other municipalities to coordinate the planned state grant funding to implement portions of its community and economic development strategy.

Commentary: The Sanders Task Force is no longer available and has been disbanded; however, the City continues to seek opportunities to coordinate economic development efforts with the Commonwealth and the regional municipalities.

ED Initiative 2: The City shall strengthen its role and participation in the Duquesne-McKeesport-Clairton enterprise zone program. The use of tax credits, grants, and special low-interest financing opportunities will continue to be an important resource for development activities.

Commentary: The City is an active participant in this joint Enterprise Zone initiative.

ED Initiative 3: The City shall work with Allegheny County and the Commonwealth of Pennsylvania to actively market development opportunities in the City's Keystone Opportunity Zones. Since one of the Keystone Opportunity Zones is located at the narrow, eastern end of the development site, it may not provide many attractive opportunities for development. Indeed, this area is targeted for the proposed bridge and landing structure from SR 837 to the site, which would reduce the useable area further. Based on the plans for such a bridge, the City may consider proposing a redefinition of the boundary of the KOZ through the Southwestern Pennsylvania Commission and the Department of Community and Economic Development (DCED) in order to encourage development in a more suitable and useable location. The other Keystone Opportunity Zone located in the Cochrandale property should be actively pursued for redevelopment funding in conjunction with the City's industrial development strategy.

Commentary: Rt. 837 Flyover into RIDC Duquesne Place was completed in 2010. The Redevelopment Authority of the City of Duquesne has been active in the marketing of the Cochrandale property. That property has experienced extensive demolition activity since 1998. Vacant land remains for private development/investments.

ED Initiative 4: The City shall pursue a tax-sharing agreement with McKeesport whereby any taxes generated from any development on the riverfront development sites in either City will be shared based on a pro rata land area formula. This agreement will eliminate municipal competition for new riverfront development and encourage mutual support.

Commentary: This initiative has not been implemented to date but it will be pursued as opportunity and priority allow; however, successful accomplishment of this initiative requires the cooperation of neighboring municipalities who are not bound by the Duquesne Recovery Plan.

ED Initiative 5: The City shall coordinate its economic development activities with the Allegheny County Department of Economic Development. The City shall work with Allegheny County to pursue county, state, and federal funding resources for programs and projects included in this strategy. These resources shall include enterprise zone funding, other industrial development programs through the PA Department of Community and Economic Development, Redevelopment Assistance Capital Program grants, and Community Development Block Grant funding, among others.

Commentary: This has been an ongoing initiative and continues to be a focus of the City.

ED Initiative 6: The City shall combine the management responsibilities of the Duquesne Business Advisory Council (DBAC) and the new Redevelopment Authority. The Boards shall rely on the same professional development coordinator. The oversight and management of each should be coordinated through a single management entity.

Commentary: Since 2008, the City has employed an Economic Development professional (Starrett & Associates) to administer both the DBAC and the RACD.

ED Initiative 7: The City shall review its schedule of Building Permit and Grading Fees to ensure that they are in line with the delivery of quality services. Further, the City shall review its fee schedules to ensure that they are competitive with surrounding development sites.

Commentary: This initiative has been completed.

ED Initiative 8: The City shall provide special funding to provide local match to qualify for a variety of state and federal grant programs for development projects. The City shall capitalize a Matching Fund pool of \$1.5 million over the next 3 years. A portion of this fund may be provided by an allocation of proceeds from the recent and subsequent tax lien sales, and an allocation of a portion of the proposed City Rainy Day Fund, and proceeds of the HUD 108 loan being requested for the City by Allegheny County.

Commentary: The City has completed this initiative and continues as grant funds demanding a match become available (e.g. CDBG via TRCOG.)

ED Initiative 9: The City shall assist the owner of the Shopping Plaza at Duquesne Boulevard and Grant Street to package the property for sale and redevelopment. The City shall work with Allegheny County to develop a package of financial incentives to ensure the feasibility of this approach. Specific sources may include Enterprise Zone Tax Credit, an Enterprise Zone Competitive Grant, a Communities of Opportunity Grant, and an allocation of the City's Community Development Block Grant.

Commentary: This initiative has been completed. The City has negotiated agreements with private developers to take ownership and encourage improvements. The Shopping Plaza is fully occupied and flourishes in the local economy.

ED Initiative 10: The City shall work with Allegheny County to encourage relocation of the Union Railroad and the expansion of Kennywood onto the site. The City shall develop a strategy to ensure that the expansion plan will provide additional opportunities for other commercial developments in the immediate area.

Commentary: This initiative has been completed; Union Railroad has an agreement with Kennywood Corporation for the Duquesne leg of the Great Allegheny Passage and has worked independently with Kennywood as it pertains to its land acquisitions.

ED Initiative 10: The City should consider pursuing an expansion to the commercial core by extending commercial land uses across Route 837 along Grant Avenue to the riverfront. This

commercial corridor may serve the needs of other developments on the riverfront site, including industrial and flex/office users, and visitors to the riverfront. The City should begin to work with the RIDC to coordinate this commercial development expansion potential. Further, the City should request a commercial use be considered in accordance with the Act 2 Consent Order provided by the Department of Environmental Protection on the site.

Commentary: This development has been pursued but progress has been limited. Since 2005, the few start-up businesses that were attempted (and subsequently closed) along with the closure of the PNC Bank building in 2012 have made meeting this goal unsuccessful. The initiative remains viable if private investments are forthcoming and the City will continue to promote development in this area.

ED Initiative 11: The City shall explore the feasibility of Tax Increment Financing for the existing and extended Grant Avenue commercial corridor to the riverfront to support public improvements in and around the corridor and to provide the necessary financial incentive to attract a commercial developer. Tax Increment Financing is most feasible and attractive for commercial developments because of the size and value of their investments in land and buildings. The resulting tax increments may make such a financing feasible. Further, because of the “income-producing” nature of their commercial operations and the high values of land associated with commercial uses, the impact of real estate taxes on their bottom-line may not be that significant. As a result, the City should work with the School District and Allegheny County to structure a TIF District and to use this TIF District to attract a retail/commercial developer for the project. The expected TIF proceeds could be approximately \$2.5 million from a 20-acre TIF District. The City should consider the use of a TIF to reimburse a developer for their investment in public infrastructure necessary for the redevelopment and expansion of the commercial district.

Commentary: Since the USX Duquesne Works closed almost 20 years ago, the redevelopment of the riverfront mill site has been slow. Indeed, the massive work and state funding involved in environmental clean-up, demolition, and the installation of new infrastructure has been planned, secured, and carried-out almost single-handedly by the RIDC. Together with the former McKeesport National Works site, Riverplace is one of the largest industrial sites in the region. With the demand for prepared industrial sites and ready-to-occupy multi-tenant buildings increasing in the region, the City should work with Allegheny County and the regional marketing and development organizations to complete the demolition, on-site infrastructure, and access infrastructure to the site so that it can be packaged and sold. The City should participate in efforts to secure state redevelopment funding for these purposes. The City should explore creative methods to provide development incentives to public and private developers to mitigate the unusually high real estate tax burdens affecting new development in the City.

The City of Duquesne had been involved with RIDC via its monthly Policy Meetings between Duquesne and McKeesport. These meetings ended in 2010. Though the RIDC Duquesne City Center has been successfully developed under RIDC leadership, there are still opportunities for further development. The City shall seek to reengage with the RIDC to determine, clarify and proactively pursue additional development opportunities.

ED Initiative 13: The City shall work with Allegheny County and the Pittsburgh Regional Alliance to develop an incentive-based agreement for marketing, recruitment, and development of the riverfront mill site.

Commentary: The City has developed a positive working relationship with Allegheny County and the RIDC, which are the primary economic development entities affecting the riverfront site. Though little substantive progress has been made toward developing incentive-based agreements, the City will continue to pursue these initiatives in 2014 and beyond.

ED Initiative 14: The City shall work with Allegheny County and the RIDC to demolish the remaining derelict buildings on the former mill site.

Commentary: This initiative is completed.

ED Initiative 15: The City shall work with Allegheny County and the RIDC to build the infrastructure on the riverfront site to encourage private industrial and flex office investments.

Commentary: This initiative is completed.

ED Initiative 16: The City shall consider instituting a 10-year declining tax abatement on new real estate taxes resulting from investments in the industrial portions of the riverfront site. This abatement program should be instituted along with the School District and Allegheny County. The site should be divided into industrial districts and the tax abatements should be limited to these areas pursuant to the Local Economic Development Revitalization Tax Act and local ordinance. Tax abatements are particularly important to industrial users because of the high cost of real estate taxes relative to their land values.

Commentary: The City has not considered this initiative ; developments have occurred on this site despite no tax incentives. However, tax abatement program opportunities will be reevaluated in 2014.

ED Initiative 16: The City shall work with the RIDC to pursue governmental and private financing sources for the development of new multi-tenant spaces for industrial tenants.

Commentary: This is an ongoing initiative.

ED Initiative 17: The City shall pursue funding from the County and State DCED to prepare a redevelopment plan for the Cochrandale KOZ site. The redevelopment plan should consider a mix of light industrial uses on the site with improved access to SR 837. The estimated cost of the acquisition, infrastructure, and site preparation of the site will be approximately \$750,000 to \$1,000,000. The marketing advantages through the KOZ make the site a competitive industrial location.

Commentary: The City will pursue this initiative as opportunity and resources allow.

ED Initiative 18: The City shall work with regional planning organizations including the Southwestern Pennsylvania Commission, PennDOT and the Turnpike Commission to prioritize traffic and transportation improvements in and around the City in order to maximize access and improved circulation. Key improvements shall include:

- Implementation of the Mon Fayette Expressway and Interchange.
- Implement a vehicular and pedestrian bridge fly-over to provide access and egress to the riverfront development site in order to avoid at-grade rail crossings.

Commentary: The City will continue to work with the State, regional commissions, and neighboring communities to improve transportation assets in the City.

One the most significant impediments to the City's economic and community development is the difficult regional access to the City. The City must support efforts to improve regional transportation access, including direct access to the riverfront site via the proposed Mon Fayette Expressway and an on-site interchange connection. Within the City, efforts must focus on adding above-grade access to the riverfront site to mitigate the difficulty with the railroad crossings for emergency and service vehicles.

ED Initiative 19: The City shall implement and fund an annual street resurfacing and preventive maintenance program as part of its capital improvement plan.

Commentary: As funds become available from CDBG via the TRCOG, streets are planned for resurfacing. However, the City has yet to develop a 5-year Capital Improvement Program.

Finance and Budget

F&B Initiative 5: The City shall develop a Capital Budgeting Process and five year Capital Improvement Plan. Following up on work commenced in the summer of 1999, the City shall initiate a five year capital planning system beginning in 2001. The City shall vest the manager with the responsibility for preparing and updating annually a five year capital improvement program and incorporating it into an annual capital budget. The manager shall seek input from department heads, the City engineer, the planning commission, and others with valid input for capital improvement elements.

Commentary: This initiative involves the development of two documents: a capital improvements program and a capital budget. A capital improvements program involves the planning of public improvements projected over several years, usually four to six years ahead of the current year. It anticipates major construction and renovation projects to be undertaken, their costs, and the estimated financial resources needed to fund them. The capital budget is a more detailed plan of capital improvement projects to be undertaken in the ensuing budget year.

Capital improvements planning should be undertaken because:

- Capital expenditures represent significant expenditures of the City;
- Capital expenditures also represent the most enduring activities of the City. Generally, they are lasting physical improvements of infrastructure, vehicles and equipment that may be more immediately visible to the public than many other City services; and given these considerations, it is vital that the decisions about capital expenditures are made rationally and responsibly. Capital planning is an effective means for improving capital spending decisions.

To implement the initiative s, a City must develop a capital improvement process, one that addresses, at a minimum, such questions as:

- What constitutes a capital expenditure?
- What are the responsibilities of the manager, department heads, engineer and planning commission?
- What means are to be used to developing capital expenditure priorities?
- What methods of financing are to be used in financing various types of capital projects?
- What is the planning period?

A variety of sources exist to identify capital needs: engineers, planning commission members, Council members, administrative staff and citizens. However, an excellent starting place is the City's new comprehensive plan. In addition, the document "City of Duquesne-Capital Improvements Plan 2000-2004," prepared by the City's summer 1999 intern, Shawn Arbogast, is another excellent starting place. In addition, the Governmental Finance Officers Association publication, "Capital Budgeting – A Guide for Small Municipalities," will prove useful in implementing a capital improvement process. This goal has yet to be accomplished by the City. A Capital Budget for the immediate fiscal year and a project 5-year Plan should be employed by the City.

F&B Initiative 6: The City shall establish a new capital reserve fund for vehicles and equipment. The City is to make only capital expenditures from this fund.

Commentary: The City engineer shall review the current depreciation method used in the City and should advise the City Council on the adequacy of the present depreciation charges. Monies for the vehicle and equipment capital reserve fund are to be transferred from the appropriations made to various departments or programs using the vehicles or equipment. These annual transfers represent depreciation charges for the use of these capital items. To facilitate these transfers, the City shall adopt a depreciation policy that it can use when it buys new equipment or vehicles. The purpose of this fund is to reduce the need to borrow money for vehicles and equipment. The fund's resources are depreciation charges against departments that use vehicles and equipment. The City engineer should be directed to prepare appropriate depreciation programs by 2014 prior to the development of a capital budget.

F&B Initiative 7: The City shall develop and issue a request for proposals to various professional auditing firms in the Pittsburgh area. In addition to covering the normal auditing functions and requirements, the request shall include:

- Developing a cost allocation system for functions performed by the General Fund for various other funds;
- Developing a formula or means of determining a return on investment percentage to be assessed against the City's water and sewer operations; and
- Developing a means of determining City costs for issuing and administering the licenses and permits required for various functions.

The City should also include in the RFP an option where the financial report is prepared in-house by the finance officer. The City shall use requests for proposals for this service every five years.

Commentary: The purpose of this initiative is to evaluate what other auditing firms would charge for similar services and to ensure that the City is paying a reasonable fee. The City, with the support of the Act 47 Coordinator, shall develop an RFP for issuance by the close of 2015.

F&B Initiative 8 The City should set its water rates at levels sufficient to pay bulk water purchase costs, direct costs, return on investment, and overhead costs. The rate of return on the City's investment in the water system should be determined by Council using the formula or means determined by the City's auditor. Overhead costs must be specified by the City auditor's cost allocation system. Until such a formal determination of the rate of return and overhead costs is completed, the City shall transfer no more than \$30,000 each year from the Water Fund into the General Fund.

Commentary: Water and sewer rates should be fixed by the City Council at a level sufficient to pay direct costs, overhead and other indirect costs and provide a return on investment. The City needs a rational policy for establishing rates – a policy that can be defended if a consumer should make a legal challenge to one or both rate structures. F&B Initiatives 3 and 4, which are slated for implementation in 2014, will define a path to achieve structural balance in the Water Fund, which may include the need for water rate increases. If necessary, the City shall increase water rates to cover the cost of operations and General Fund overhead expenses.

F&B Initiative 9: The City should set its sewer rate at a level sufficient to pay direct costs, return on investment, and overhead costs. The rate of return on the City's investment in the sewer system should be determined by the City Council using the formula or means determined by the City's auditor. Overhead costs must be specified by the City auditor's cost allocation system. Until such a formal determination of the rate of return and overhead costs is completed, the City shall transfer no more than \$30,000 each year from the Water Fund into the General Fund.

Commentary: This initiative is no longer viable since the City sold its Sanitary Sewer operations to the Municipal Authority of McKeesport for \$1.2M. Sale proceeds were used to reduce long-term debt.

F&B Initiative 10: The City should establish a separate fund for sanitation and public safety services. Revenues for the fund shall consist of a new “sanitation and public safety services” fee that will replace the old solid waste fee. The City shall limit fund disbursements to those required to meet contract obligations and payments to the General Fund for services rendered by the City pursuant to the administration of the solid waste and recycling collection programs and public safety services that maintain and promote the well-being of the City.

An external audit shall determine the costs that can be allocated to the sanitation and public safety services fund.

Commentary: This proposal is designed to provide the City with additional revenue while eliminating the need to use the exclusive current solid waste fee to finance non-related activities. Public safety functions suggested to be financed by the fee include expenditures for street lighting, traffic control devices and signs, dog catcher programs and tree cutting operations. The solid waste and recycling programs also will be paid from this fee.

As an alternative to establishing a separate fund for solid waste and health services, the City should negotiate its solid waste and recycling contract and all future contracts to include direct customer billing and fee collection by the contractor. The City shall enter into joint bidding for solid waste and recycling services. .

The purpose of this initiative is to give the City an option in the provision of solid waste and recycling services. The delivery mode is the same as the current one, except that the contractor assumes full responsibility for collecting the fee for the service. The City would not be involved in any billing or enforcement operations. However, the City would be concerned with monitoring the performance of the contractor – an activity that its officials are assumed to be doing.

The objective of this initiative is to reduce the City’s liability for delinquent and uncollectable solid waste fees. The City must assess the change, if any, in the per-unit cost owing to this alteration in the method of payment.

F&B Initiative 10: The City shall adopt a comprehensive fee and service charge ordinance. One provision of this ordinance shall accommodate the annual adjustment of these fees and charges on the basis of an acceptable economic indicator. However, such changes shall not be made if changes in various fees place the City in a non-competitive position with neighboring municipalities.

Commentary: To keep fees current with the “cost of doing business” and to reduce or avoid annual conflicts over the adjustment of fees, the City Council should adopt a comprehensive fee ordinance that includes all charges for services. To be included in this ordinance is a provision requiring the annual adjustment of fees according to an acceptable economic indicator, such as the regional consumers’ price index published by the national government.

Such adjustments, however, are not to be automatic. The City Manager shall survey the fee structures of municipalities participating in the Twin Rivers COG and the City of McKeesport. If the survey findings indicate that the changes would place the City in a non-competitive position, the fee and service charge structure is not to be made. The Manager shall take action in this area before

October 31 of each year and advance initiatives for fee adjustments as part of the annual budget process.

F&B Initiative 11: City Council shall review existing budgetary control policies and processes to determine whether they are adequate to control the budget and to prevent deficit or over spending. In its review, the City Council should determine whether the following means to control revenue flows exist:

- Purchasing approval;
- Encumbrance of expenditure accounts;
- Spending plans or quarterly allotments;
- Position controls (approval) of requisitions for personnel to fill authorized positions;
- Process to monitor revenue flows;
- Process to review and approve budget amendments;
- Monthly reporting on expenditures (actual and encumbered) and actual revenue against detail budget data; and
- Centralized responsibility for budgetary control in one office.

If any of the above control means are not present in the current system, the City should make them part of the system when it completes the review. The manager shall report monthly to the City Council and the Plan Coordinator on revenue collection and enforcement activities and on needed administrative changes. The City shall distribute to the Plan Coordinator copies of reports, allotments and proposed budget amendments.

Commentary: Various audit management letters and review of various budget documents suggest deficiencies in the budgetary process. Also, it appears that existing policies and procedures are not always enforced.

It is critical to the future fiscal well-being of the City that it begins to adopt and enforce procedures designed to protect the unit's fiscal integrity. In addition, the City needs a process that fully discloses how the public's money is to be spent:

- A budget system designed in accordance with generally accepted practices includes the following components:
- A comprehensive operating budget that includes all revenues and funds;
- A capital plan prepared from priorities identified in the capital improvements plan;
- Public hearings on the operating and capital budgets;
- Centralized responsibility for budgetary preparation and control in one office; and
- A control system that includes:
 - Approval of all purchases;
 - Encumbrance of expenditure accounts;
 - Spending plans or quarterly allotments;
 - Position controls (approval) of requisitions for personnel to fill authorized positions;
 - Process to monitor revenue flows;
 - Process to review and approve proposed budget amendments; and
 - Monthly reporting on expenditures (actual and encumbered) and actual revenue against detailed budget data.

In addition to these components, the office responsible for the City's budgeting system shall provide the Plan Coordinator with copies of all fiscal documents to provide the Coordinator with sufficient information to make prudent analysis of the City's fiscal position and compliance with the Recovery Plan.

The proposed system will not be effective unless elected Council members enforce the system's mandates and processes. It is critical that Council adhere to sound budget principles. The City and the Act 47 Coordinator will work to complete the process review and develop an action plan for process improvements by the close of 2014.

F&B Initiative 12: The City should develop a master computerized housing and business directory. The finished directory would be a municipal-wide "lot and block program" and facilitate the identification of those responsible for the payment of various City revenues. The City may apply for Act 47 funding of this activity if the City does not have sufficient time and financial resources to undertake the project on its own.

The City should consider requiring occupancy permits, moving permits and tenant registration forms. The City should consider adopting an ordinance requiring landlords and owners of residential properties to submit a list of tenants and to update this list as tenants move.

Commentary: The primary objective of the proposal is to obtain information that can be used by the City's tax and revenue collectors to keep revenue rolls up to date and current. The data obtained may also prove useful to the planning commission and the code officials.

Several sources are available to keep the directory current:

- A copy of the occupancy permit issued by the Inspection Department should be forwarded to the office responsible for maintaining the directory.
- The City should adopt a moving permit ordinance to be administered jointly by the Police Department and the directory official.
- The City should also adopt an ordinance requiring landlords of residential properties to submit lists of tenants to the directory official and to update these lists as necessary.
- To date, the City has not had the resources required to implement this initiative but will continue to look for opportunities to complete this initiative if competing requirements allow.

F&B Initiative 13: City Council shall adopt an ordinance that sets forth investment policies, fixes investment responsibilities, and provides for an investment process for the program. The City should also consider joining an intergovernmental investment pool such as Pennsylvania Local Government Investment Trust (PLGIT) or the investment operated by the State Treasurer – INVEST.

Commentary: The City needs a formally-adopted investment policy to protect the officials from legal actions for questionable investment practices. A properly prepared policy will also facilitate the protection of the City's liquid assets, the maintenance of sufficient liquidity to meet operating requirements, and earning of market rates of return on investments. The Act 47 Coordinator will work with the City to develop draft financial policies by the close of 2015.

F&B Initiative 14: The City shall develop a risk management program. The program shall include the following initiatives:

- The City Manager should contact the City's insurance carrier to make an appraisal of its workers' compensation expenditures and to propose a corrective course of action. The City Manager should also explore the possible cost savings that may be had by the City's participation in the Allegheny League of Municipalities workers' compensation program.

- The City should begin to promote in the Twin Rivers COG a plan for the adoption of a Risk Management Officer. If the COG should prove unreceptive to this proposal, the City should seek other intergovernmental arrangements to provide this function.
- If these efforts for an intergovernmental arrangement prove unsuccessful, the City should initiate a study to determine what it can reasonably do to reduce its exposure to risk.

Commentary: A comprehensive risk management program administered by a professional Risk Management Officer is beyond the financial resources of the City. However, the program is one that is a “natural” for collective action by two or more political units, particularly those involved in a Council of governments. Cost savings of such an intergovernmental operation may be considerable. The City, with the assistance of the Recovery Plan Coordinator, will evaluate the opportunities available to develop an intergovernmental risk management program through TRCOG and/or its neighboring communities. In addition, beginning in 2014, the City shall conduct a detailed review of injury and loss history, working with the City’s workers compensation insurance provider to ensure that safety training is appropriately focused. This independent City review should happen at least twice per year as a supplement and validation of those reviews completed by the City’s workers’ compensation insurance provider.

F&B Initiative 15: The City shall consider contracting with an outside, independent professional consultant to analyze and evaluate employee benefits and property and casualty liability insurance coverage prior to the request for proposal (RFP) process for new insurance brokers.

Commentary: The purpose of this proposal is to ensure the City’s coverage in these areas is adequate and that additional coverage is not necessary. The analyses should also determine whether present coverage is available at less cost and suggest the policies and procedures the City should adopt to lower costs or keep costs from increasing. The City should initiate two separate RFP processes. The first process will focus on determining what opportunities exist to strengthen and right-size the City’s insurance program (e.g., property insurance, umbrella liability, workers compensation.). This RFP process should be initiated six months before the date of the 2015 program renewals. The second RFP process should focus on evaluating the City’s employee benefit programs and should likewise be initiated six months before the 2015 program renewals. The City will pursue these opportunities in 2014 and 2015 as resources allow. The City may seek grant funding to support this initiative.

F&B Initiative 16: The City should initiate a policy whereby it will maintain an annual unreserved General Fund balance equal to two to three percent of the fund’s annual operating expenditures.

Commentary: Financial conditions have not permitted the City to develop a reserve fund policy and practices that will allow the City to maintain an appropriate level in its General Fund year-end unreserved fund balance. The purposes of such a program are to lessen the City’s dependency on tax anticipation loans to finance services until tax revenues begin to flow and to protect the City’s fiscal position if yields from various revenue sources do not materialize. The initiatives included in the Recovery Plan are intended to restore equilibrium to the General Fund and eventually generate the surpluses necessary to meet the goal of initiative.

F&B Initiative 17: The City should set aside the growth over the previous year’s distribution in the sales tax to a new “Rainy Day” fund. This fund can be used for unforeseen circumstances or to support various community and economic development initiatives made elsewhere in this report.

Commentary: The City's annual portion of the County Sales Tax distribution, while serving partially as an offset to tax reductions made upon the introduction of the revenue sharing provision of the one percent add-on county sales tax, is primarily new revenue. This new revenue source has been a boon to Duquesne as well as the rest of Allegheny County's municipalities. The sales tax, however, and its accompanying distribution to the municipalities, could be revoked by vote of the Board of Commissioners or by the Allegheny County Council. It may also be possible for citizens to revoke the tax by initiative and referendum. Even if the tax remains in place, a downturn in the economy will reduce distributions. Additionally, the distribution formula is such that an improving Duquesne economy will reduce the City's share of distributions.

For these reasons, it is important for the City to not become too dependent on this source of revenue for current expenditures. It would be fiscally prudent to begin to set aside portions of this revenue for future use in emergencies or to promote the City's community and economic development plans, such as developing a revolving loan fund or providing matches for state and federal grant programs. Teamed with maintaining a two to three percent General Fund year-end unreserved balance, the Rainy Day Fund could be useful in improving cash flows and helping to reduce or eliminate the need for tax anticipation note borrowing. The City may wish to target an amount of five percent of annual General Fund operating expenditures, about \$150,000, as a balance to achieve in the Rainy Day Fund. This goal will be pursued as other plan initiatives generate opportunities for offsetting revenue growth or cost reductions.

F&B Initiative 18: The City shall continue to meet pension obligations in accordance with the provisions of Act 205.

Commentary: The City shall continue to meet its pension obligations in accordance with the provisions of Act 205. However, the City shall not increase pension benefits that will represent an additional fiscal obligation to the City. It is extremely important that the City not assume added fiscal burdens that will have a negative impact upon its fiscal recovery.

F&B Initiative 19: In the next fiscal and subsequent years, the City's budgets for the water and sewer funds should reflect revenue estimates for the collection of delinquent sewer and water charges.

Commentary: At the present time, the City does not budget as a revenue source the collection of delinquent water, sewer and solid waste fees. The problem should be corrected immediately so that the budget reflects all possible revenue sources. Without this step, the fiscal plan is incomplete and inaccurate.

F&B Initiative 20: The City should take steps to improve its depreciation program by: 1) Budgeting depreciation charges; 2) Transferring these charges to a special reserve account in the appropriate fund; 3) Limiting the use of these monies to the acquisition of capital items for sewer or water operations.

Commentary: Depreciation charges for the water operations are shown as operating expenses in the annual statement of revenue, expenses and charges in returned earnings. However, these charges are not budgeted. This practice should be corrected so that the consumption of assets is truly reflected in financial reports.

Management Policy

MGMT Initiative 1: City Council shall thoroughly discuss authorizing a government study commission to consider a home rule charter, an optional plan, or both as laid out by Act 62 of 1972.

Commentary: The City of Duquesne operates under the traditional commission form of government as provided in the Third Class City Code. The Code not only dictates structure but also sets forth, in considerable detail, processes and procedures that the City must follow. The Code permits little flexibility and leeway. It restricts the City's taxing power and, by vesting executive and administrative powers over City departments with Council members, makes City management uncoordinated, inefficient, and less effective.

A locally drafted Home Rule Charter could overcome these and other deficiencies. The 1992 Recovery Plan called for the City to consider placing a referendum on the ballot pursuant to Act 62 of 1972, the Home Rule Charter and Optional Plan Law. The City has not taken such action. This lack of action has prevented the City from operating under a more useful, flexible, and modern basic law. Under the present governmental structure, for example, the City cannot make a City Manager or business administrator solely responsible for carrying out City Council policies. Individual members of Council can reassert their own executive and administrative powers at will. This can result in "five different governments" within the City with no centralization of authority.

Reliable revenue sources are fundamental to the City's emergence from distress. Crucial to this Recovery Plan is the ability of the City to generate additional earned income tax revenues without fear of denial by the Court of Common Pleas. A home rule charter will allow the City to raise and/or maintain the current earned income tax rate on residents without the need to rely on court approval under Act 47.

MGMT Initiative 2: The City shall undergo a thorough review of the current computer system (both hardware and software), and its impact on operations, either through an extensive peer-to-peer review, intern project, or internally funded needs assessment to be performed by an outside consultant.

The intent of this study will be to determine the adequacy of the computer system and shall include initiatives directed at improving productivity, improving use of software packages, and determining the effectiveness of the current hardware system. The study shall further review the operations of the City in an effort to determine how to better utilize the existing computer system to perform important functions. The study shall also include a needs assessment to determine what tasks can be accomplished in the City using a computer system and what type of system should be in place to accomplish those tasks.

It is further recommended that a total overhaul and upgrade of the computer system and software should be contracted for immediately should the study warrant such a move. The consultant undertaking the study shall be required to prepare an appropriate RFP that will allow the City to immediately implement his/her findings.

Finally, it is recommended that a review of the operation of the system, both hardware and software, be conducted on a regularly scheduled basis with upgrades made to the system as appropriate.

Commentary: The City conducted the system review and has updated its hardware (e.g., servers, PCs, printers), operating systems, and software programs to meet modern standards. The City is proactive in budgeting and purchasing IT updates and diligently pursues IT-related grant

opportunities where available. The City has made progress but it will be important to continue to monitor the functionality and applicability of the City's IT infrastructure to ensure that it meets daily operating needs. This monitoring and evaluation must be an ongoing effort.

MGMT Initiative 3: The City shall immediately undertake a review and test of its computer system to determine Y2K compatibility. This may be unnecessary if the City is able to immediately upgrade its computer system and software as recommended in the above initiative.

Commentary: Initiative no longer relevant.

MGMT Initiative 4: Upon completion of the computer system study outlined above, the City shall engage a vendor that will guarantee complete system support for a period of at least three years from the date of installation of the final components. Further, the City shall require that all employees using the system acquire sufficient knowledge to implement the various packages included with the system. The vendor contract shall provide for an organized training effort as a component of system support.

Commentary: The City has made a strident effort to update its computer system and has replaced its major operating systems and financial systems with modern software and hardware. The City will continue to seek opportunities to achieve efficiency through system acquisition and improved training, as resources allow.

MGMT Initiative 5: The City shall continue the practice of selling all surplus or inoperative municipally owned vehicles, equipment and similar items not presently used or having future use by the City through sealed competitive bid.

Commentary: Process represents current practices of the City.

MGMT Initiative 6: The City shall continue to avail itself of interns from area colleges and universities utilizing the Allegheny County intern program and the Act 47 intern program, both operated by Local Government Academy, when possible. If the City does not qualify for either of these programs, it should still seek to attract qualified student interns by applying to each university separately.

Commentary: Area colleges and universities often require that students serve one or more internships in their chosen field during their course of study. These interns often work at a salary much lower than a private consultant would, are supervised by qualified university staff, and are aware of current trends and techniques. They can be used strategically to study specific issues and provide assistance in the implementation of the Recovery Plan. The Allegheny County/Act 47/Local Government Academy internships provide the further advantage of reducing the cost of the intern by covering a portion of their hourly salary up to a specified limit.

The City will be required to develop a formal proposal and plan early each year under the latter plan to qualify for a reduced cost intern. Colleges and universities also require a work plan in order to recruit qualified interns for work during a given semester.

Area schools that typically require students to serve as interns include both the Computer Science School and the Graduate School of Public and International Affairs at the University of Pittsburgh, the Heinz School at Carnegie Mellon University, and the Public Policy Institute at Duquesne University. Depending on the City's needs, interns may also be found at Community College of

Allegheny County, Penn State's McKeesport Campus, and Indiana University of Pennsylvania's Political Science Department.

Internships can include work in a number of areas. Examples of recent municipal intern projects include development of a road surface management program in Penn Hills, a capital development plan in Tarentum, Geographic Information Systems startup in Baldwin Borough, establishment of a planning department database in Johnstown, and a tax exempt property review also in Johnstown. Generally, projects may involve any aspect of local government if the project is detailed and complex enough to provide a learning experience for students.

MGMT Initiative 7: City Council and the Mayor shall enroll and participate in classes aimed at training elected officials in the area of policy and decision-making, such as those offered by the Local Government Academy. Additionally, City staff shall be given the opportunity to attend training sessions to enhance their job performance and skills. Any applicable training fees shall be paid by the City.

Commentary: Training is used by many businesses, corporations and service organizations to maintain staff efficiency and competency and to improve the City's leadership capacity. Such training will be invaluable to City officials and personnel as well. The Local Government Academy is one of several organizations that provide such training on various topics for municipal personnel and officials. Others include LTAP: The PA Local Roads Program (providing free public works training often on site – see the commentary for Initiative 11 in the City Services section that follows), the PA League of Cities and Municipalities, the PA State Association of Township Supervisors and the PA Boroughs Association.

Course topics cover the full range of municipal operations. Examples of Local Government Academy courses include the Newly Elected Officials Course, Basic Budget Preparation, Fundamental Duties of the Planning Commission, and Implementing a Code Enforcement Program. Topics also cover zoning, developing a comprehensive plan, economic and community development, labor negotiations, computer systems, environmental decision making, public works, risk management, and legal issues, among others.

The Local Government Academy provides automatic scholarships to officials and personnel from all Act 47 communities, substantially reducing the cost of training for the municipality. In addition, other state funded training agencies provide selected scholarships.

MGMT Initiative 8: The City shall adopt a records retention and disposition program in accordance with the Municipal Records Act of 1968, as amended.

Commentary: The City has approved such a program but must continue to employ it to improve efficiency and dispose outdated material. This should be part of an overall records management policy in order to eliminate old and unneeded records and to keep and organize needed valuable records. It is important that the City continue to keep its records organized and accessible and to continue to maintain adequate storage space for new records to be stored.

MGMT Initiative 9: The City shall seek to contract with or hire an economic/community development specialist on, at minimum, a part time basis to strengthen the City's ability to encourage development and implement the economic and community development initiatives of this report.

Commentary: Currently the City shares the services of an economic development consultant with the City of McKeesport. While this sharing is commendable and should be continued, there are a

number of factors that argue for the additional services of an economic development specialist dedicated to working with the City officials. These include:

- Full implementation of the economic and community development initiatives contained in this report;
- The City's relationship with RIDC and the size of the mill site property;
- The amount of vacant property and ongoing demolition activity within the City; and
- The anticipated construction of the Mon-Fayette Expressway that will pass through the City.

The City may consider several options in hiring the specialist:

- Hire an economic development specialist as a consultant to the City Council on a retainer basis;
- Hire an economic development specialist as a part time employee to serve under the City Manager; or
- Hire an economic development specialist as a full time employee to serve under the City Manager.

Regardless of the City's decision in this regard, the job description of the economic/community development specialist should be carefully crafted after consultation with the Center for Local Government Services, the Recovery Plan Coordinator, and the Allegheny County Department of Economic Development. The job description should require that the individual hired attend Council meetings to offer a full report on his/her activities and file monthly written reports with the City Manager and Mayor. Said individual shall work closely with the agencies in the City engaged in development activities. The salary of the specialist should be structured so as to ensure that any increases or bonuses be contingent on the level of economic development activity in the City. Moreover, the economic development specialist position should not be hired unless the following conditions are met: 1) the City, DCED, and the Recovery Plan Coordinator agree that there are clear substantive programmatic advantages over an intergovernmental approach to staffing economic development, and; 2) the position is cost neutral or results in annual savings to the City.

The City may solicit funding from the PA DCED to establish this position. Such funding should cover at least a portion of the specialist's salary on a staggered, de-escalating basis over the first four years of his/her employment.

City Services

CS Initiative 5: The City shall, through a peer-to-peer review, possibly supplemented by a contract with an outside agency, and with the consultation of the Recovery Plan Coordinator, analyze the costs and benefits of participation in intergovernmental programs. At a minimum, the study should examine intergovernmental arrangements involving police services, lock-up, code enforcement, solid waste collection, public works, risk management, municipal investments, and economic and community development activities.

Commentary: The City should continue to explore the various types of intergovernmental delivery systems including joint power agreements, contractual arrangements with neighboring jurisdictions, piggybacking, and participation in COG-sponsored activities.

Costs continue to increase in the City's service areas. The likely result will be an even greater strain on the City's limited budget or a reduction in service levels, potentially below minimally acceptable standards, in an effort to alleviate budget pressures. The City must build on existing intergovernmental arrangements by exploring additional service areas that can be regionalized or purchased from another municipality or the County.

Funds to employ a peer-to-peer consultant to research the feasibility of Duquesne's participation in intergovernmental cooperation projects are available from the Local Government Academy's Act 47 program. Additionally, the Commonwealth encourages intergovernmental efforts and may provide grant funds to enable the City to study and transition from in-house operation to shared services in various areas.

CS Initiative 6: Where warranted by the above study, the City shall participate in intergovernmental programs. Failure of the City to engage such a study shall not absolve its obligation under this Recovery Plan to enter into shared police services as described elsewhere in this plan.

Commentary: This plan defines a number of specific areas where the City should evaluate intergovernmental program opportunities. Where those evaluations suggest financial or operational benefit, the City has committed to pursuing those opportunities.

CS Initiative 7: The City shall continue to follow the recommendations made in the 1992 Peer-to-Peer study on the police department, and update the study if necessary.

Commentary: The 1992 police peer study outlined several opportunities for cost saving and included a description of the full complement level of the department that met acceptable service delivery standards. This study must continue to be implemented and, where necessary, updated through the employment of a consultant or the use of a peer-to-peer arrangement. Those initiatives that are relevant to current operations will continue to be pursued.

CS Initiative 8: Eliminate the parking meter program in the 2002 budget unless revenues exceed program costs in 2000 and 2001.

Commentary: With the increased parking available at the school, the need for meters to prohibit drivers from excessively using needed parking space will be eased. Meters may provide only a maintenance headache for the City rather than serve the customers of local business. The City must review the impact of reduced parking at meters each year and eliminate the program entirely if revenues do not outpace expenditures.

CS Initiative 9: The Duquesne Volunteer Fire Company shall continue to be a party to the mutual aid agreement with volunteer fire companies of adjacent and surrounding jurisdictions through the Mon-Yough Fire Defense Council.

Commentary: The City's volunteer fire department provides mutual aid and backup fire service through mutual aid agreements and informal agreements for assistance with neighboring volunteer fire companies in the region. The issue of liability is addressed in the Mon-Yough mutual aid agreement.

CS Initiative 10: The City shall continue to implement the recommendations contained in the fire peer report presented to Council in 1994. Furthermore, the manager and fire chief shall no less frequently than annually review operations and equipment needs, preferably no later than mid-year, and submit a report to the recovery plan coordinator with results of such review. The coordinator shall review the internal study and, when appropriate, recommend an updated peer-to-peer study to be funded by the Local Government Academy/DCED grant. The coordinator may also request an immediate peer study should the annual internal review not be accomplished in a timely manner.

Commentary: The fire peer-to-peer report provides recommendations to strengthen the capacity of City of the volunteer fire company to deliver fire protection services. It was written in 1994 when the City was preparing to move from a paid force to a volunteer department.

At that time, the consultant reviewed the type, kind and condition of firefighting equipment available to the department and the status and type of communication systems used by firefighters in Duquesne. He found several deficiencies and, consequently, made a number of purchase recommendations. The consultant followed NFPA guidelines and recommendations in preparing his recommendations.

While the City has since moved to a volunteer force, with a paid fire chief, it is appropriate that periodic internal assessment be made by the City Manager and Fire Chief as to the adequacy of City fire protection services. An internal evaluation of the effectiveness of the department should be ongoing to determine areas for improved operations and updated equipment needs. The Recovery Plan Coordinator will use the results of these evaluations in determining the need for an updated peer study. This study shall be completed by 2015.

CS Initiative 11: The Public Works Director shall attend further training in public works management and administration of services. The City should take advantage of LTAP's free public works classes.

Commentary: LTAP – The PA Local Roads Program run by Penn State Harrisburg – is one of the top technical assistance programs for public works in the country. The group provides free training to all public works personnel on the full range of public works services, including supervision. Training can be held on site in Duquesne provided that a minimum number of registrants are enrolled for a given program. The City may invite neighboring municipalities to ensure that a minimum number of registrants are available.

LTAP programs may be taken individually or as part of their "Roads Scholar I and II" programs. Course topics include asphalt road maintenance, risk management, safety, work zone traffic control, use of geosynthetics, cost control, bidding, contracts, and stormwater management, etc.

LTAP also provides consulting services to municipal officials and public works supervisors free of charge using their own staff of experts.

Other training organizations are also available to provide low cost training including the Local Government Academy and the American Public Works Association. The latter maintains an area chapter, which holds meetings, occasional training, and conferences.

The City shall continue to evaluate training opportunities and will fund training as resources allow.

CS Initiative 12: The City shall contract for all road work projects other than general road cleaning, maintenance and repair; snow removal and ice control; building /property maintenance; and other minor maintenance activities. Further, the City shall contract for these and other related activities that may be warranted following the Intergovernmental Service Delivery Study.

Commentary: Five full time public works employees handle the repair and maintenance of streets and roadways in Duquesne covering 1.8 square miles. There is an ongoing need to address problems associated with the City's aged infrastructure and the City's reduced ability to pay maintenance costs

The City must develop an inventory of roads/streets/alleys and include information such as the type and size of road, condition of road, and its life cycle. All information should be incorporated into the City's capital improvement program.

With respect to street maintenance, the City Council and the City Manager must continue to explore alternative surface treatment methods that are less expensive (e.g., seal coating, slurry seal and chemical additives). These and other techniques are labor intensive, may require equipment not in the City's inventory and may necessitate temporary leasing; service contracts with another municipality, COG or Allegheny County; or contracting with the private sector to do the work.

CS Initiative 13: The City shall cooperate with PennDOT on the state AGILITY program.

Commentary: This initiative is no longer relevant. The only state road that intersects with City of Duquesne is State Route 837. There is really no opportunity for an Agility Agreement benefitting both Duquesne and PennDoT. As to 837, Steel Valley COG has contracted with PennDot to clean catch basins on 837, irrespective of City non-involvement.

CS Initiative 14: The City should solicit assistance from Allegheny County on street maintenance matters.

Commentary: This is no longer a viable option. The Allegheny County Department of Maintenance agreed, in 2011, to provide maintenance to the Fly-Over ramp from 837 into RIDC Duquesne Place.

CS Initiative 15: The City shall continue the practice of employing part-time help during summer months.

Commentary: Summer months are a period in which the City undertakes repair and maintenance work on its infrastructure and facilities that can be assigned to part-time employees to free full time public works employees for more demanding tasks and projects.

Another option is to contract out certain tasks such as grass mowing and janitorial services at the parks and municipal building. Responsibility for monitoring the administration of such service contracts should be placed in the office of the Director of Public Works. The service contracts should specify performance requirements rather than the manner or means in which the work is accomplished. This will provide better control over results. Failure to perform on the part of the contractor can be met with delayed payment or contract termination.

CS Initiative 16: The City shall seek one or more partners for a joint solid waste and recycling collection bid. The City should discuss terms for West Mifflin's municipal collection service to be extended to Duquesne. The City should also discuss joint collection with McKeesport. The City should also seek to become a part of the South Hills Area COG joint bid for solid waste collection as soon as possible. The City should also encourage the Twin Rivers COG to develop a similar joint solid waste collection program.

Commentary: Municipalities that have participated in joint solid waste and recycling collection bids have realized significant costs savings in their contracts. The trend in Allegheny County has been for more and more municipalities to explore and enter into such joint contracts. The South Hills Area Council of Governments (SHACOG) should serve as a model for Duquesne in its pursuit of partners for a joint solid waste and recycling collection bid. The SHACOG model can be presented to fellow members of the Twin Rivers COG. As an alternative, the City should pursue membership in the SHACOG joint bid program if it is opened to non-COG members. In any case, investigation of joint bidding opportunities with neighboring municipalities McKeesport and West Mifflin should begin immediately and be pursued simultaneously with the exploration of COG-wide approaches.

Future contracts with waste haulers should be structured to give the City flexibility to pursue joint bid opportunities.

CS Initiative 17: The City shall continue to implement a formal maintenance program to facilitate regularly scheduled water and sewer line inspection, repair and maintenance.

Commentary: Water and sewer fees should be directed toward maintenance operations that will guarantee the delivery of reliable water and services to the residents at competitive costs. The water system continues to lose water due to leaks within the system, costing the City and its residents a substantial amount of money.

CS Initiative 18: The City shall continue to fully meter every water user in the City including City Hall and other municipally and school district owned properties.

Commentary: This is aggressively enforced. The City will arrange for water shut offs for failure to pay both water and sewage bills. In 2013, the City averaged approximately 50 water shut-offs per month for failure to pay. However, this plan also calls for a thorough review of the Water operation. That review will include an analysis of the City's water shut-off procedures with the goal of limiting the duration of delinquencies.

CS Initiative 19: The City should implement a work order system to track and control service requests from their initiation to their completion.

Commentary: Complete

CS Initiative 20: The City shall continue to explore and pursue opportunities to reduce the cost of street lighting where feasible.

Commentary: Duquesne Light Company announced that it has reduced its energy costs for street lights by 33% effective June 1, 2013. Additionally, Duquesne Light has submitted a petition to the Pennsylvania Public Utility Commission to be granted a tariff for LED street lights. City of Duquesne, via its Recovery Plan Coordinator, has represented the City in a series of discussions with the Duquesne Light Government Affairs Department to this effect. The former Recovery Plan Coordinator was a previous senior manager with Duquesne Light Company, effectuating positive communications on behalf of the City of Duquesne.

CS Initiative 21: The City shall adopt a policy whereby residents may purchase and pay the costs of a street light.

Commentary: The City cannot afford to pay the added cost of increasing the number of streetlights. Should there be a request from a resident to add a streetlight or retain a street light that the City has slated for removal, the individual shall be required to pay the entire cost without any cost or liability to the City.

Workforce and Collective Bargaining

The following workforce and collective bargaining initiatives represent those initiatives that were included in prior iterations of the City's Recovery Plan. Some of the workforce initiatives listed below are superseded by the initiatives in the Workforce Expenditure section of this Plan beginning on page 23. This is reflected in the Commentary section of applicable initiatives.

WF Initiative 6: A regular, full-time employee hired on or after January 1, 2013 will earn vacation time according to the following schedule:

Completed Years of Employment as of 12/31 of the Previous Year	Vacation in the Current Calendar Year
0	.42 days per month
1	2 weeks
4	3 weeks
14	4 weeks
24	5 weeks

New employees will be eligible for .42 days times the number of months they work during the first calendar year of employment (for example, an employee hired on July 1 will be eligible for .42 times 6, or 2.5 days of vacation during his first calendar year of employment).

Annual vacation shall be scheduled and used during the year in which it is accrued.

Commentary: This initiative is superseded by the initiatives included in the Workforce Expenditure section of this Plan.

WF Initiative 7: Sick leave buy-back shall be capped at existing levels for current employees and shall be eliminated from all future collective bargaining agreements.

Commentary: This initiative is superseded by the initiatives included in the Workforce Expenditure section of this Plan.

WF Initiative 8: Longevity pay shall not be accorded to any current employee not having it or any future employee.

Commentary: This initiative is superseded by the initiatives included in the Workforce Expenditure section of this Plan.

WF Initiative 9: Employees shall not accrue vacation and sick leave during any period of time while on any kind of unpaid leave of absence or furlough from City employment.

Commentary: Ongoing.

WF Initiative 10: Employees shall cease to be considered employees of the City when they suffer a break in service for whatever reason for 130 consecutive calendar days or more, except employees with more than five years of service who shall be considered to have suffered a break in service after an absence of a minimum of 260 calendar days.

Commentary: The City does not currently have a policy on breaks in service. This initiative addresses the issue of how long the City retains an obligation to employees who cease working for the City.

WF Initiative 11: No labor contract shall constrict the City's ability to select alternative ways of delivering services. The City shall approve no labor contract that precludes the City from selecting various service delivery modes.

Commentary: To provide City services in the most effective and efficient manner possible, the City needs to retain its capacity to select delivery modes that enable it to meet these objectives. This need for flexibility is extremely important given the City's fiscal condition.

WF Initiative 12: In 2013, the City shall institute the use of a labor/management committee structure for each collective bargaining unit in order to engage in ongoing discussions of workplace and other related issues. The City may wish to engage the Three Rivers Labor management Committee to implement this initiative .

Commentary: The original Recovery Plan recommended that the City establish a labor-management committee. To date, the City has not implemented this initiative .

WF Initiative 13: The City shall engage the services of a professional labor relations specialist to assist in the negotiation of future collective bargaining agreements as a supplement to the City Solicitor.

Commentary: The City has successfully achieved some cost containment provisions outlined in the original Recovery Plan. More progress must be made in cost containment in order to put the City on a healthy fiscal footing. The use of professional labor relations specialists will enhance the City's ability to negotiate favorable labor contracts. The City's Act 47 Coordinator team is staffed with labor counsel who will serve to advise the City in future negotiations.

WF Initiative 14: The City shall review and implement as appropriate the peer-to-peer study performed in 1996 on administrative personnel.

WF Initiative 15: The City shall base any differential pay plan, the creation of new positions, and the filling of existing vacant positions on the studies' findings.

WF Initiative 16: The City shall make all appointments to the police department, both full-time and part-time, in accordance with the manning tables in the 1993 or the most recent police study.

Commentary: Workforce initiatives 14, 15, and 16 are outdated; however, the City, with support of the Act 47 Coordinator, shall review and update personnel policies and pay plans by the close of 2015.

WF Initiative 17: City Council should adopt, by ordinance, resolution, or motion, the rules proposed by the Duquesne Civil Service Commission. Furthermore, the City should follow these rules on all of its civil service matters.

Commentary: Complete.

Communications

COMM Initiative 1: The City shall send the Plan Coordinator all financial and budgetary information that is sent to City Council members; a monthly account balance sheet showing an itemization of all revenues and expenditures and a comparison to amounts budgeted for those items in the general fund, and water, solid waste, and capital funds; the annual audit of the City's financial statements; the initial draft of the annual budget immediately upon its development and all subsequent major drafts including the final adopted budget. The City will use the Plan Coordinator as a resource in budget development; all regular and special meeting agendas prior to the meetings; and minutes of all regular and special meetings upon their completion.

The Plan Coordinator and appropriate City officials and employees will meet periodically to review plan implementation progress and to amend initiatives if deemed necessary. The City shall routinely communicate to the plan coordinator key management, administrative, and financial decisions before the fact. The Plan Coordinator may, in emergency situations requiring immediate City action, waive this reporting procedure provided that communication occurs as soon as possible after the emergency has been mitigated.

Commentary: Since the current City Manager was employed (10 years tenure), the City has consistently cooperated with the Plan Coordinator toward providing any and all documents.

Act 47 Assistance

Act 47 Initiative 1: The City shall apply for an Act 47 grant to pay for a study of opportunities for shared services between the City and surrounding communities. Costs are estimated to be \$30,000.

Commentary: The City will pursue as needed and implementation priority dictates.

Act 47 Initiative 2: The City shall apply for an Act 47 grant to pay the salary for three years for a part-time economic development coordinator. This person could be shared with another municipality. The City needs someone to concentrate on implementation of the economic development initiatives in this report. Costs are estimated to be \$15,000/year for three years.

Commentary: The City will pursue as needed and implementation priority dictates.

Act 47 Initiative 3: Apply for an Act 47 grant in the amount of \$57,000 to ease transition to a joint police force. This amount represents the estimated cost savings from an intergovernmental agreement for police services – approximately five percent.

Commentary: The City will pursue as needed and implementation priority dictates.

Act 47 Initiative 4: Apply for an Act 47 grant to develop a master computerized housing and business directory. The finished directory would be a municipal-wide “lot and block program” and facilitate the identification of those responsible for the payment of various City revenues. Costs are estimated to be \$30,000.

Commentary: The City will pursue as needed and implementation priority dictates.

Attachment B: Act 133 Limitations on Bargaining Unit Expenditures

Police Bargaining Unit Act 133 Expenditure Limitations

	2014	2015	2016	2017
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Police – Baseline Financial Projections				
Court & Hearing Appearances	45,000	45,000	45,000	45,000
New Uniformed Empl. Pension Cont.	142,135	143,912	143,912	143,912
Police Overtime	55,000	55,000	55,000	55,000
Longevity Pay Police	5,000	5,000	5,000	5,000
Police Shift Differential	8,250	8,250	8,250	8,250
Drug Task Force Overtime (\$18,000 Reimbursed by DEA)	0	0	0	0
Police Holiday Pay	39,500	39,500	39,500	39,500
DEA Wages	46,870	46,870	46,870	46,870
Police Supervisors	236,610	286,985	290,572	294,204
Regular Patrolmen Salaries	298,000	310,142	328,080	332,181
FICA Medicare Share	10,696	11,188	11,503	11,606
Life Insurance	12,500	12,526	12,552	12,579
HEALTH INSURANCE	218,322	231,421	245,769	261,007
Dental Insurance	8,714	9,256	9,851	10,483
Unemployment Compensation	0	0	0	0
Police Uniform (Cleaning & Maintenance)	750	750	750	750
Educational Expenses	0	0	0	0
Clothing & Uniform Allowance	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total Police	1,137,347	1,215,799	1,252,608	1,276,342
Police – Act 133 Expenditure Limitations				
Increase in expenditures other than				
Healthcare	1%	910,311	919,414	928,608
Healthcare Increase Limit	5%	227,036	238,388	250,307
Eliminate Assistant Police Chief Position		0	-73,187	-75,498
Total Police		1,137,347	1,084,614	1,103,417
Total Savings/(Increase)		0	131,185	153,566

Blue Collar Employees Bargaining Unit Act 133 Expenditure Limitations

		<u>2014</u> <u>Projected</u>	<u>2015</u> <u>Projected</u>	<u>2016</u> <u>Projected</u>	<u>2017</u> <u>Projected</u>
Blue Collar – Baseline Financial Projections					
Public Works Overtime		13,000	13,000	13,000	13,000
Wages Of Drivers & Laborers		175,560	177,745	179,966	182,216
Employer FICA		17,000	14,592	14,762	14,934
Life Insurance		2,100	2,104	2,109	2,113
Hospitalization		70,000	74,200	78,800	83,686
Dental & Vision Ins.		4,300	4,558	4,841	5,141
Unemployment Compensation		0	0	0	0
Boot Allowance		1,000	1,000	1,000	1,000
Total Blue Collar		282,960	287,199	294,478	302,090
<u>Blue Collar – Act 133 Expenditure Limitations</u>					
Increase in expenditures other than Healthcare	1%	208,660	210,747	212,854	214,983
Healthcare Increase Limit	5%	74,300	78,015	81,916	86,012
Total Blue Collar		282,960	288,762	294,770	300,994
Total Savings/(Increase)		0	-1,563	-292	1,096

Clerical Employees Bargaining Unit Act 133 Expenditure Limitations

		2014	2015	2016	2017
		<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Clerical Employees – Baseline Financial Projections					
Salary of Police Secretary		36,255	36,708	37,166	37,631
FICA Share Employer		2,774	2,808	2,843	2,879
Overtime & Dep. Treas. Pay		750	750	750	750
Salaries & Wages of Clerical Personnel		76,325	87,221	88,311	89,415
FICA Share Employer		3,500	6,978	7,062	7,146
Life Insurance		725	726	728	730
Health Insurance		45,000	47,700	50,657	53,798
Dental & Vision Insurance		750	795	844	897
Unemployment Compensation		0	0	0	0
CITY CLERK SALARY		0	0	0	0
City Clerk Overtime		1,500	1,500	1,500	1,500
Employer FICA		3,100	2,923	2,958	2,994
Life Insurance		375	376	377	377
Health Insurance		15,500	16,430	17,449	18,530
Dental & Vision Ins. (Clerk & Pol. Sec.)		750	795	844	897
Unemployment Comp.		0	0	0	0
Overtime		<u>800</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total Clerical		188,104	206,710	212,490	218,543
<u>Clerical – Act 133 Expenditure Limitations</u>					
Increase in expenditures other than Healthcare	1%	126,104	127,365	128,638	129,925
Healthcare Increase Limit	5%	62,000	65,100	68,355	71,773
Total Clerical		188,104	192,465	196,993	201,697
Total Savings/(Increase)		0	14,246	15,497	16,846

Non-Represented Employees Act 133 Expenditure Limitations

		2014	2015	2016	2017
		<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Non-Represented Employees – Baseline Financial Projections					
Police Chief Salary		56,000	57,295	58,011	58,736
Employer FICA		812	831	841	852
CITY MANAGER SALARY		38,000	38,475	38,956	39,443
ADMINISTRATIVE ASSISTANT		20,000	20,250	20,503	20,759
Employer FICA		4,750	4,492	4,549	4,605
Life Insurance		350	351	351	352
Health Insurance		6,678	7,079	7,518	7,984
Dental & Vision Insurance		786	814	844	874
Unemployment Compensation		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Represented		127,376	129,587	131,573	133,606
<u>Non-Represented – Act 133 Expenditure Limitations</u>					
Increase in expenditures other than Healthcare	1%	119,912	121,111	122,322	123,545
Healthcare Increase Limit	5%	7,464	7,837	8,229	8,640
Total Non-Represented Unit		127,376	128,948	130,551	132,186
Total Savings/(Increase)		0	639	1,021	1,420