

BOROUGH OF FRANKLIN
Cambria County

**FIFTH AMENDED RECOVERY PLAN
PURSUANT TO THE
MUNICIPALITIES FINANCIAL RECOVERY ACT
(Act 47 of 1987, As Amended)**

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INTRODUCTION

This report will review the fiscal status of the Borough of Franklin during the time the Borough has been in the Municipalities Financial Recovery Act (Act 47) program. The review is being undertaken pursuant to Act 47 to determine whether the conditions that led to the initial determination of municipal financial distress in 1988 have been alleviated. Act 47 provides authority to the Secretary of the Department of Community and Economic Development to both declare and rescind a distress determination.

The report consists of the following major components:

- Executive Summary
- Review of revenue and expenditure trends and the Borough's current financial position.
- Review of recommendations of the original and amended recovery plans including status reports of the Coordinator.
- Background on the Borough's involvement in the Municipalities Financial Recovery Program.
- Discussion on the Borough's fiscal status.

EXECUTIVE SUMMARY

Franklin Borough's viability as a municipality for the long term is the central issue identified in the original and subsequent amendments to the recovery plan. Based on an analysis of fiscal and demographic characteristics, the initial recovery plan recognized Franklin's non-viability and recommended that it utilize the provisions of the Borough Code to have the territory encompassing the Borough revert back to Conemaugh Township, the Township from which it was formed. Following extensive research it was determined that this provision of the Borough Code was negated by the language added to the Constitution in 1968 that requires an affirmative vote by all affected municipalities for any boundary change to occur. Subsequently the Merger and Consolidation Act was enacted in 1994 and plan recommendations provided that the Borough engage in boundary change discussions with adjacent municipalities pursuant to the Act. Although the Borough agreed with this recommendation and initiated several boundary change efforts with neighboring municipalities it has been unable to find a willing partner and the efforts have been unsuccessful.

Franklin's initial distress determination was rooted in a financial crisis that can be traced back to 1977, evolved over the ensuing years culminating in the distress determination in 1988. The factors which contributed to the Borough's fiscal crisis as identified in the Department's consultative report included the following:

- 1) Deteriorating socio-economic factors including a significant decline in population.
- 2) Significant reduction in the tax base (real estate, earned income and occupational privilege taxes) caused largely by the decline of the steel industry.
- 3) Inability to recover financially from the 1977 Johnstown flood.
- 4) Lack of attention to financial management issues.
- 5) Misappropriation of funds by a former borough secretary.

The initial recovery plan and subsequent amendments recommended interim measures to downsize government operations, divest the Borough of being a direct service provider, pursue intergovernmental approaches to service delivery and reduce the level of services provided until such time as a boundary change can be affected. The Borough has implemented recommendations to: reduce the size of Council from seven to three

members; consolidate accounts, computerize its financial management system and provide monthly financial statements reflecting budget to actuals; employ only a part-time secretary/treasurer; contract with a third party for Act 511 collection; eliminate its police department and contract with an adjacent municipality for limited police service; reduce its public works department to 1 as needed, part-time employee; contract for refuse service; transfer responsibility for utilities for the portion of the municipal building used by the volunteer fire company to the company; and join the Cambria-Somerset County COG's regional code enforcement program.

Franklin's non-viability is based upon negative revenue and expenditure trends dating to the 1980s driven by the loss of the Borough's industrial base and the resultant loss of population and tax base decline. More recently Franklin has seen a continuation of this tax base decline and has operated with a structural deficit in its general fund in 2 of the last 3 years. The Borough's auditor has at various times raised the going concern issue in his audit report.

Franklin's tax base is comprised of a large industrial property that at one time was part of the Bethlehem Steel Corporation's Johnstown area facilities and a small residential base comprised mainly of single family homes. There is virtually no commercial development in the Borough. At the end of WW II Franklin was a prosperous community of over 2,000 residents. The steel mill provided regular employment to residents and was the major contributor to Borough revenues. Over the last 60 years, however, the Borough has faced a steady loss of population and tax base.

1940	2,297
1950	1,833
1960	1,352
1970	864
1980	559
1990	565
2000	442
2010	323

As a result the Borough has experienced a significant decrease in its two major sources of revenue – real estate and earned income taxes. The value of taxable property has steadily declined over the last twenty years. In the past five years the downward trend has continued though at a slower pace.

Earned income tax (EIT) revenue even with the levy of a higher rate on residents and non-residents under authority of Act 47 has experienced an overall decline during the recovery period. The main reason for the decrease in these 2 revenue sources was the closing of the Borough's major industrial employer. During the recovery period Freight Car America which acquired the Bethlehem Steel facility, greatly downsized its operations and ultimately closed in 2008 causing a further decline in general fund revenue and leaving an idle, vacant parcel of industrial land having limited current value to the Borough.

Almost all of the additional revenue generated from the higher EIT came from non-residents working at Freight Car America. Closure of the plant in 2008 led to a loss of over 500 jobs and approximately \$40,000 in EIT revenue. At its peak in 1994 the plant employed over 1,500 workers and generated over \$100,000 in EIT revenue when the non-resident rate was instituted in 1998.

Over the last five years combined property and EIT revenues account for an average of 44% of the Borough's general fund budget. Franklin is dependent on the additional revenue generated from the higher EIT to support the cost of even the limited municipal services it provides.

Over the recovery period, expenditures outpaced revenues half the time resulting in continuing structural deficits. Out of necessity expenditures declined commensurate with the drop in revenue because of the tax base decline. Consequently recovery plan initiatives have consistently recommended the Borough divest itself from being a direct service provider.

Franklin cannot afford to maintain in-house employees and support associated personnel costs. It also does not have the administrative or technical capacity to provide municipal services on its own. Although Franklin has followed plan recommendations to downsize and divest being a direct service provider it continues to be challenged by its non-viability

status. Revenue and expenditures continue to decline and even with a reliance on the additional revenue generated from the higher EIT it still struggles to pay for the limited municipal services it provides to residents.

Although several boundary change efforts were initiated by Franklin involving adjacent municipalities they were ultimately unsuccessful as there was an inability to find a willing partner. The first boundary change effort was to proceed with an initiative with Conemaugh Township. A possible merger with Johnstown was also reviewed. The effort which preceded the furthest was with the five municipalities that comprise the Conemaugh Valley School District, (Daisytown, East Conemaugh and Franklin Boroughs and East Taylor and Conemaugh Townships). The Conemaugh Valley Intergovernmental Study Committee was created and each of the five municipalities initially agreed to participate in a study process. Following an approximate 24 month period during the 2001 – 2003 period, the effort was abandoned as the participants were not convinced the end result would be beneficial to each. Franklin further engaged in discussions with East Conemaugh Borough, however, again East Conemaugh felt that it was not in their best interest though there was agreement to join with East Conemaugh in the provision of police and refuse services.

No short-term prospects exist that would result in any significant value being added to the Borough's tax base over the next few years, nor does there appear to be any interest on the part of any neighboring municipality to engage Franklin Borough in discussing boundary change. In the absence of a successful boundary change, contractual and shared service arrangements need to be kept in place to maintain the municipal service delivery system for police, code enforcement and refuse collection to maintain these minimal services at a cost within the Borough's ability to pay.

Franklin's plight makes an excellent case for legislation that would create an independent boundary commission that could make ultimately advance recommendations for boundary change to the legislature for action. Currently the only legislation that has been enacted to implement the PA Constitution's Article 9, Section 8 boundary change provision is the Municipal Consolidation and Merger Act which requires a majority affirmative vote of all affected municipalities. The legislation prepared by the State Planning Board would provide another option to address the non-viability of certain municipalities and provide a

long term solution through a legislated boundary change action.

**SECTION 1
DISCUSSION OF ACT 47 DISTRESS STATUS**

The Borough of Franklin was declared a distressed municipality on July 26, 1988. The reason for the initial distress determination was a financial crisis that can be traced back to 1977 and evolved over the ensuing years culminating in 1988. The factors which contributed to the Borough's fiscal crisis as identified in the Department's consultative report presented at the public hearing on the Borough's petition for a distress determination included the following:

1. Deteriorating socio-economic factors such as significant decline in population.
2. Significant reduction in the tax base (real estate, earned income and occupational privilege taxes) caused largely by the decline of the steel industry.
3. Inability to recover financially from the 1977 Johnstown flood.
4. Lack of attention to financial management of Borough.
5. Misappropriation of funds by a former borough secretary.

Seven of the eleven criteria identified in Section 201 of the Municipalities Financial Recovery Act were found to be present in the Borough of Franklin in 1988. These criteria along with an overall assessment of the Borough's fiscal condition consistent with the policy objectives of Act 47 led to the declaration of distress. Criteria found to be present were as follows:

- | | |
|-------------|--|
| Criterion 1 | The municipality has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous fiscal years. |
| Criterion 2 | The municipality's expenditures have exceeded revenues for a period of three years or more. |
| Criterion 3 | The municipality has defaulted in payment of principal or interest on any of |

its bonds or notes or in payment of rentals due any authority.

Criterion 6 The municipality, for a period of at least 30 days beyond the due date, has failed to forward taxes withheld on the income of employees or has failed to transfer employer or employee contributions for Social Security.

Criterion 8 The municipality has failed to make the budgeted payment of its minimum municipal obligation as required under the Municipal Pension Plan Funding Standard and Recovery Act, with respect to a pension fund during the fiscal year for which the payment was budgeted and has failed to take action within that time period to make required payments.

Criterion 9 A municipality has sought to negotiate resolution or adjustment of a claim in excess of 30% against a fund or budget and has failed to reach an agreement with creditors.

Criterion 11 The municipality has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Local Government Research Corporation, the initial plan Coordinator, developed a recovery plan for the Borough under the auspices of the then Department of Community Affairs. After a public hearing, the Recovery Plan as prepared by the Coordinator with input from Borough officials was adopted by Borough Council in December 1988. Revised recovery plan recommendations were adopted by Borough Council in March 1989.

During 1992 the Department undertook a reevaluation of the distress status of the Borough. The reevaluation process determined that the Borough remained in a distressed condition and that the designation should continue. Updated recommendations in the form of amendments to the Recovery Plan were developed and were adopted by Borough Council in January 1992 with additional amendments adopted in March 1993. A further reevaluation process was undertaken that determined that the conditions that led to the

initial determination of financial distress were still found to be present and that the Borough remained in a distressed condition resulting in amendments to the recovery plan being adopted May 1997 and February 1998.

A new plan Coordinator, Michael Foreman, Local Government Policy Specialist with the southwest office of the Governor’s Center for Local Government Services, Department of Community and Economic Development was appointed in 2002 to continue to coordinate recovery activities.

The Department provided financial assistance to the Borough as part of the Act 47 recovery plan process in the form of both loans and grants. Loans were provided to initially address payable issues critical to providing for the health, safety and welfare of residents. Grants were provided both initially and during the recovery process to facilitate the implementation of recommendations that reduce costs, share municipal services, improve employee productivity, increase revenues and ease and assist the Borough through consolidation or merger. Financial assistance provided includes the following:

Year	Financial Assistance	Amount	Purpose
1988	Emergency/Long Term Loan	\$ 135,000	Deficit/Operating Costs
1989	Grant	\$ 25,000	Borough Building Study & Merger Study
1990	Grant	\$ 201,000	Infrastructure & Borough Building Improvements
1992	Grant	\$ 24,750	Shared Personnel
2002	Grant	\$ 60,000	Boundary Change Study
2004	Long Term Loan	\$ 30,000	Deficit/Operating Costs

This report provides an evaluation of the Borough’s current fiscal status pursuant to the Municipalities Financial Recovery Act. Section 253 of the Act addresses the manner in which a distressed municipality may have its distressed status rescinded by the Secretary of the Department of Community and Economic Development. Section 253 provides four factors to consider in determining whether conditions which led to the earlier determination

of municipal financial distress are present or not. The factors are as follows:

1. Monthly reports submitted by the Coordinator to the Department as required by Act indicate that termination of the status of municipal financial distress is appropriate.
2. Accrued deficits in the municipality have been eliminated.
3. Obligations issued to finance all or part of the municipality's deficit has been retired.
4. The municipality has operated, for a period of at least a year, under a positive current operating fund balance or equity, as evidenced by the municipality's audited financial statements prepared in accordance with generally accepted accounting principles.

The purpose of this evaluation is to assess the financial position of the Borough during the time the Borough has been in Act 47 to determine whether the conditions that originally led to distress are still present. Since conditions of distress continued to exist in the past an updated series of recommendations to the recovery plan were developed to guide the Borough toward managerial and financial stability with a goal of ultimate recovery.

As noted at the beginning of this report the initial recovery plan recognized that Franklin was a non-viable municipality and that boundary change was necessary for the long term benefit of the residents of the community. Nothing since that time has altered that original recommendation. Since that time the Borough's tax base has only continued to decline and it has continued to struggle to maintain even minimal services. Although it has pursued boundary change initiatives multiple times it has been unable to find a willing partner. As interim measures it has successfully divested responsibility for being a direct service provider thru shared services and third party contractual arrangements.

In effect, the Borough has a very limited tax base to support the financial responsibility of paying its 2 part-time employees and has divested itself of being a direct service provider of virtually all municipal services. The Borough has reduced the size of its workforce and work hours over the course of the recovery period in every operating department including administration. The Borough has even reduced the size of Council from seven to three members to reduce expenses. The Borough also has not been able to adequately maintain its infrastructure during the recovery plan period and appropriates minimal funding toward

improvements of its roads, borough building and sewer system without the assistance of grants.

DETERMINATION OF ACT 47 DISTRESS STATUS
(As drafted by then DCED Secretary George Cornelius – March 24, 2010)

A public hearing was held in Franklin Borough on March 22, 2010 by the Department of Community and Economic Development for the purpose of receiving testimony on the question of whether the conditions that led to the initial finding of financial distress under Act 47 still exist. Testimony from Borough officials, Solicitor and Act 47 Coordinator indicate that the Borough operated at a surplus in 2009, albeit one of only \$993. This came on the heels of two years of deficit spending equal to 2.7% of revenue in 2007 and 6.4% in 2008. Deficit spending was enabled through access to a general fund reserve; no new debt was incurred. According to the Borough's financial statements, the reserve fund balance was \$61,808 as of December 31, 2009.

The sole debt of the Borough is an outstanding principal balance of \$64,990 owing to DCED on two Act 47 loans, the proceeds of which were used to fund operating expenses (i.e. to finance deficits). The Borough failed to make the required payments on this debt last year and prior years as well. Both loans are non-interest bearing.

Total revenue for the Borough has decreased in each of the last three years. The Borough reduced its overall recurring expenses each year as well, most notably in 2009. Its budget for the current year is balanced. Moreover, the borough has a positive balance sheet, with assets outweighing liabilities. Nonetheless, as a result of deficit spending in 2007 and 2008, the Borough's cash reserves are now insufficient to cover its outstanding debt, which is past due, and absent savings achieved through reductions in operating expenses, recurring revenue would be insufficient to cover the difference.

The difference between outstanding debt and reserves (\$3,182), is small, so it would be possible to pay off the debt and still maintain a balanced budget with only a 2 percent

reduction in general fund expenditures, assuming that budgeted revenues are realized. But this is theoretical because the Borough does not wish to reduce municipal services further. Therefore, without a significant increase in tax revenue, which is unlikely, it is improbable that the debt can be repaid in full.

The Borough has made a judgment that it would not be prudent to significantly reduce expenses further. Making such judgments is the role of the elected representatives on Borough Council, and DCED fully respects their decision.

Absent material adverse developments, the existence of the Borough's reserve fund and continued forbearance by DCED on the two unpaid Act 47 loans should enable the status quo to be preserved for the near and mid-term and perhaps even the long-term, depending on whether projected revenues materialize and on possible asset disposition or expense reduction actions. In any event, a merger or consolidation with another municipality seems highly unlikely under current circumstances and law, and dissolution is not an available option under Pennsylvania law, so the Borough will have no choice but to operate in a manner consistent with available resources. It may not be desirable, but it is certainly possible to do so without jeopardizing the health, safety and welfare of Borough residents.

In the meantime, because the Borough has not retired the two DCED Act 47 loans it incurred to finance its deficits and has operated with deficit spending for two of the last three years, the conditions for rescission of the Act 47 determination have not been satisfied.

Decision

For the reasons set forth above, the Secretary of DCED (Cornelius) hereby determines that:

- 1) The conditions to rescinding the determination of financial distress for the Borough of Franklin, Cambria County under Act 47 have not been satisfied.
- 2) DCED has no reasonable prospect of having the two DCED Act 47 loans repaid in full in the near future. Therefore, DCED is willing to compromise the principal amounts, taking into account the Borough's limited ability to repay. If the Borough

pays one-half of the outstanding principal balance of the DCED loans within 30 days of the date of the Secretary's Decision (March 24, 2010), then the remaining balance shall be converted to a grant.

- 3) The Act 47 Coordinator is directed to develop an amended recovery plan that provides for such expense reduction measures as may be necessary to ensure the Borough does not incur deficits. The plan should further provide for repayment of the two outstanding Act 47 DCED loans in regular monthly installments if the offer in paragraph 2 above is declined (Franklin Borough declined the DCED offer to pay one-half of the outstanding principal balance on the two Act 47 loans within 30 days of the date of the Secretary's decision in a letter to the Secretary dated April 6, 2010). The amended recovery plan shall not be premised on a merger or consolidation of the Borough with any other municipality.

SECTION 2 REVENUE AND EXPENDITURE TRENDS 1987 – 2011

The financial information in Table 2 and 3 was derived from the independent annual audit reports and reflects revenues, expenditures and changes in fund balance for all governmental funds. Ending fund balance figures for the period 1997-2011 were prepared on the cash basis of accounting and therefore do not include the accounts payable or amounts due to other funds.

All governmental fund types consist of the general, liquid fuels, sewer, capital improvements and contingency funds. All governmental fund types are included in the assessment of the financial condition of Franklin Borough for the period 1997-2011.

Assessed Value of Real Estate

During the 1988 – 2012 recovery plan period, Franklin Borough experienced a decline in the value of its overall tax base. The most significant decline occurred in the real estate tax and value of taxable property. Cambria County changed the ratio of assessed to market value from 50% to 100% effective in 2005 which resulted in the Borough reducing

its millage rate in half and causing the value of taxable property to artificially increase in value. Although the assessed value of taxable property in Franklin jumped from \$1.7M in 2004 to \$3.2M in 2005 or an 82% (\$1,450,870) increase, it did not generate additional real estate tax revenue for the Borough (Table 2). The anti-windfall provision in the fourth to eighth class county assessment law prohibits real estate tax revenue increasing more than 5% from the year prior to a change in assessed value ratio. The net assessed value actually decreased in the year following the change.

Prior to the Countywide change in ratio of assessed to market value in 2005, the value of taxable real estate fell 44% from 1988 (\$3,149,000) to 2004 (\$1,772,850) or \$1,376,150, mainly for industrial property in the Borough. Even after the new ratio went into effect in 2005 the value of taxable property further dropped 3.3% or \$108,950 in 2006 to \$3,114,770 and has increased slightly by 1% through 2009 to \$3,143,130. In 2010, the value of taxable property decreased by \$41,360 (1.3%) to \$3,101,770. In 2011, the assessed value of taxable property (\$2,666,380) dropped by \$435,390 (14%). For 2012, the assessed value of taxable property (\$2,304,760) again decreased by \$361,620 (14%). Since 2005 when the new countywide assessment ratio took effect, Franklin Borough's assessed value of taxable property fell \$918,960 or 29%.

**TABLE I
REAL ESTATE ASSESSED VALUATION
1986 – 2012**

YEAR	MILLAGE RATE	TAXABLE REAL ESTATE	DOLLAR CHANGE	PERCENT CHANGE
1986	40	\$ 3,682,000	\$	
1987	43	\$ 3,149,000	\$ - 533,000	- 14%
1988	43	\$ 3,149,000	\$ 0	0 %
1989	43	\$ 3,149,000	\$ 0	0 %
1990	48	\$ 3,139,000	\$ -10,000	- .3%
1991	40	\$ 3,147,000	\$ 8,000	3.0 %
1992	40	\$ 3,148,000	\$ -1,000	.03 %
1993	40	\$ 3,146,000	\$ -2,000	- .06 %

1994	40	\$ 3,141,000	\$ -5,000	- .2 %
1995	35	\$ 3,144,000	\$ 3,000	1.0 %
1996	35	\$ 3,143,000	\$ -1,000	- .03 %
1997	35	\$ 2,207,000	\$ -936,000	- 30 %
1998	35	\$ 1,864,480	\$ -342,520	- 16 %
1999	35	\$ 1,855,710	\$ -8,770	- .4 %
2000	35	\$ 2,025,830	\$ 170,120	9 %
2001	35	\$ 1,875,570	\$ -150,260	- 7.4 %
2002	35	\$ 1,856,460	\$ -19,110	- 1 %
2003	35	\$ 1,857,320	\$ 860	.04 %
2004	35	\$ 1,772,850	\$ -84,470	- 4.5 %
2005 *	35	\$ 3,223,720	\$ 1,450,870	82 %
2006	35	\$ 3,114,770	\$ -108,950	- 3.3 %
2007	17.5	\$ 3,124,470	\$ 9,700	.3 %
2008	17.5	\$ 3,134,110	\$ 9,640	.3 %
2009	20.5	\$ 3,143,130	\$ 9,020	.3 %
2010	20.5	\$ 3,101,770	\$ -41,360	- 1.3 %
2011	20.5	\$ 2,666,380	\$ -435,390	- 14 %
2012	20.5	\$ 2,304,760	\$ -361,620	- 14 %

* Ratio of Assessed Value to Market Value Changed in 2005 to 100% From 50%.

Revenues

Overall, revenues received from all governmental funds during the recovery plan period of 1988-2011 fluctuated from a peak of \$646,664 in 1992 to a low of \$156,930 in 2010. The variation in revenue from year to year is attributable not only to an overall decline in the Borough's tax base but also inconsistent and untimely receipt of earned income tax collections and differing amounts of intergovernmental revenues for special purposes/projects. Netting out one time funding sources from other levels of government would result in total revenue ranging from \$150,000 - \$200,000 as shown in Table 2.

As a major source of revenue, property taxes accounted for 70% of total Borough revenue in 1988 compared to 36% in 2011. The significant reduction in property taxes increased the Borough's dependence on the earned income tax throughout the recovery plan period notwithstanding Cambria County's change in the assessed value ratio.

As a response to the significant decline in the real estate tax and with Court approval the Borough first enacted the higher earned income tax in 1998 at a rate of 1.5% for residents and 1.4% for non-residents. In 1998, earned income tax collections (\$89,641) were 38% of revenues (\$234,701), peaking in 2000 (\$207,258) at 58% of revenues (\$359,511), then collections (\$29,680) dropped to 20% of revenue (\$148,342) in 2011. The rates were reduced to 1.4% on residents and 1.3% on non-residents in 2000 and have remained at this level through 2012. Further efforts to reduce the reliance on the higher tax rate have been hampered by the continuing loss of tax base.

From 1988-2011, Franklin Borough experienced a precipitous decline in two of its major revenue sources – property and earned income taxes. For the period 1988-2011, property tax collections ranged from \$132,692 to \$53,734 or a decrease of \$78,958 or 60% (Table 2). Earned income tax collections went from a high of \$207,258 in 2000 to \$29,680 in 2011, or a decrease of \$177,578, or 86% (Table 2). At its peak in 2000 the additional revenue from the higher rates generated approximately \$150,000-\$175,000 annually mainly from non-residents employed at the Freight Car America plant. The variation in EIT revenues was due to the Borough's third party collector who made inconsistent and untimely distributions of earned income tax payments that were regularly two to three quarters late even though the Borough constantly made inquiries for more consistent receipt of funds.

The Borough has continued to experience great difficulty meeting operating expenses, even with the additional EIT revenue. The major reason for the decline in EIT revenue in recent years has been the downsizing, layoffs and ultimate closing of Freight Car America plant, a manufacturer of train cars in 2008. At its peak in 1994 it employed over 1,500 workers, most of whom were non-residents.

The Borough began to levy a higher earned income tax under authority of the Act 47 in mid 1997 on both residents and non-residents. From 1998 through 2009, the Borough

experienced a loss of over \$60,000 in non-resident earned income tax revenue alone. Consequently the amount of non-resident earned income tax revenue the Borough now receives is negligible and has forced further cuts in expenditures in areas where there is little more to reduce. The Borough received a reduced amount of EIT in 2009 that included non-residents EIT revenue from severance payments received by laid off workers in the last quarter of 2008. EIT revenues will be further diminished in 2010 and beyond.

The Local Services Tax (LST) formally the Occupation Privilege Tax (OPT) provides the best measurement of employment in the Borough. During the early 1990s the tax reflected employment of over 2,000 in the Borough most of whom worked at the former Bethlehem facility. The OPT then declined in the late 1990s and reached a low in 2002 that reflected employment of approximately 300. With the operation transferred to a new firm, employment increased from 2003-2006 to approximately 600 before declining from 2007-2009. Employment in the Borough in 2009 as evidenced by OPT collections of only \$440 was less than 100 reflecting the closure of the Freight Car America facility.

Real estate and earned income taxes collectively comprised 57% of revenues in 2009 compared to 75%. Both taxes will continue to generate less revenue until tax base growth occurs through revitalization of the existing industrial property which generated the majority of the Borough's property and earned income revenue.

Expenditures

As the Borough eliminated staff and changed from being a direct service provider to obtaining services contractually or on an intergovernmental basis, total expenditures decreased from \$335,140 in 1988 to \$138,901 in 2011 or 41% (Table 2). The greatest decrease occurred in general government administration which declined \$127,048 from \$164,800 in 1988 to \$37,752 in 2011 or 77%. General government administration went from 49% to 27% of expenditures. Insurance and benefits also decreased during this period by \$42,552 from \$65,273 in 1988 to \$22,721 in 2011 or 65%. Insurance and benefits went from 19% to 16% of expenditures. Street expenditures decreased \$3,363 from \$45,537 in 1988 to \$42,174 in 2011 or 7%. Street expenditures increased from 14% to 30% of expenditures.

Police service costs throughout the recovery plan period went from \$19,398 in 1988 to a high of \$25,500 in 2004 to \$16,405 in 2011. Police service costs went from being 6% to 12% of expenditures. During the same period, wastewater/ sewage costs went from 3% to 10% of expenditures. The Borough is currently implementing a DEP consent order to remove inflow/infiltration in their sewage collection system relative to certain capital expenditures to upgrade the system. Treatment is provided through the Johnstown regional wastewater treatment plant.

The only cost to increase was refuse collection which went from \$8,890 in 1988 to \$13,041 in 2011 (\$4,151) and is now 9% of expenditures. This increase can primarily be attributed to increased disposal costs from the third party private vendor.

In summary, revenues kept pace with expenditure levels in thirteen out of the twenty-four years the Borough has been in Act 47. Table 2 illustrates that over this period revenues have decreased 77% while expenditures have decreased 68%. The Borough has experienced an operating deficit when taking into account all governmental funds in half of the last twenty-four years including 2011. The Borough continues to be challenged to operate and end the fiscal year with a balanced budget because of the continued decline in its tax base upon which it draws revenues to provide even minimal services. Although the Borough is pursuing economic and community development initiatives to rebuild and strengthen its tax base, it is not realistic to expect expansion of the existing tax base to occur in the short-term to support revenue growth.

HIGHER EARNED INCOME TAX LEVIED UNDER AUTHORITY OF ACT 47

The Borough has levied an earned income tax rate above what is authorized under the Local Tax Enabling Act, both on residents and non-residents under authority of Act 47 from 1997-2012. The rate for 1997-2000 was 1.50% on residents and 1.40% on non-residents respectively. The rate was reduced to 1.40% on residents and 1.30% on non-residents respectively in 2001 and has remained at this rate. The rate requires annual approval by the Cambria County Court of Common Pleas.

In 1997, the first year of levying a higher rate, the Borough was faced with a 37% reduction in property taxes because of a property tax assessment appeal on the part of Bethlehem Steel. The loss of revenue was staggering to the Borough as it tried to work itself through the recovery process. The increase in the EIT was necessary to generate revenue for the Borough in an amount equal to what was lost because of the assessment appeal. In 2000 the earned income tax brought in about 35% of Franklin's budget which almost brings parity from the 1997 revenue loss.

At its peak the higher earned income tax rate generated approximately \$60,000 annually in additional revenue for the Borough. With less being received the Borough has had to greatly downsize its municipal service delivery system by reducing its operating budget. Unfortunately, the Borough has no other viable alternative source of revenue to replace the additional monies received from the higher EIT. The Borough has been receiving less EIT revenue from non-residents since 2001 with the closure of Johnstown America Corporation and in 2008 with the shut down of Freight Car America resulting in the cumulative loss of over 1,500 jobs. The property remains idle as of 2011.

The 2011 annual audit report indicates the EIT represents 20% of total revenue for Franklin Borough. 10% or half comes from non-residents who work in the Borough.

REPAYMENT OF ACT 47 LOANS OF \$135,000 AND \$30,000

The Borough of Franklin received a loan from the Department of Community and Economic Development in the amount of \$135,000 in 1989 under the then Financially Distressed Municipalities Act, Act 47, as amended for the purpose of paying unfunded current operating expenses. The loan is non-interest bearing and calls for annual installments on July 31 of each year beginning in 1990. Payments are fixed at \$5,000 per year through July 31, 1998, \$10,000 per year from July 31, 1999 through July 31, 2004 and \$15,000 per year from July 31, 2005 through July 31, 2007. The obligation of the Borough to make payments under this note is a general obligation to which full faith and credit and taxing power are pledged.

As part of the financial management recovery plan instituted during 1997, the Department of Community and Economic Development permitted the Borough to defer the required July 31, 1997 payment by one year. In addition, approval had been given by the Department to reduce the 2003 required payment from \$10,000 to \$5,000. As a result of this deferral, the payment schedule and maturity date was extended by one year to July 31, 2008. As of June 30, 2009, the principal balance due is approximately \$49,990.

The Borough of Franklin received a second loan from the Department of Community and Economic Development in the amount of \$30,000 in 2004 under the Municipalities Financial Recovery Act, Act 47, as amended for the purpose of paying unfunded operating expenses. The loan is non-interest bearing and call for annual installments on July 31 of each year beginning in 2005. Payments are fixed at \$5,000 per year through July 31, 2010. The obligation of the Borough to make payments under this note is a general obligation to which full faith and credit and taxing power are pledged. As of July 31, 2009, the principal balance due is \$15,000.

Based upon information provided by the DCED Comptroller's Office, the Borough is delinquent on the first Act 47 loan in the amount of \$49,990. On the second Act 47 loan, Comptroller's Office records indicate the Borough is delinquent in the amount of \$15,000, totaling \$64,990. Franklin Borough satisfied the unpaid balance of \$15,000 on the second Act 47 loan by making payment to the Department of Community and Economic Development confirmed in a letter to the Borough dated December 17, 2010.

Franklin Borough has an outstanding balance due of \$49,990 to the Department on the first Act 47 loan in which a repayment schedule will be provided in the amendments to this recovery plan in the Recommendations/Initiatives section.

**CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUNDS
1997 – 2011**

Overall, expenditures have exceeded revenues in six of the last fifteen years examined (Table 3) with deficits of \$114,049 in 2001; \$44,155 in 2002; \$21,808 in 2005; \$10,579 in

2007; \$28,245 in 2008; and \$19,855 in 2010. The highest deficit was in 2001 at 36% of expenditures. The next highest was in 2002 at 20% of expenditures. The other three years ranged from 6% in 2005, 3% in 2007, 11% in 2008 and 12% in 2010 of expenditures.

The overall fund balance has improved from a negative \$6,092 at the end of 1997 to \$37,678 at year-end 2009. Although the Borough maintained a positive year-end fund balance in thirteen of the last fourteen years, it did so only with the reliance on the additional revenue generated from the higher EIT levied under Act 47. It is important to note that the higher EIT has been extremely important to the fiscal survival of the Borough over this period and without it additional deficits would have occurred. Moving forward however, the closure of the Freight Car America facility will mean a significant loss of EIT revenue especially non-resident revenue creating additional fiscal pressures on the Borough.

SECTION 3 GENERAL RECOMMENDATIONS

The following sections will summarize the status of current recovery plan recommendations.

With the help of the Department of Community and Economic Development and the Recovery Plan Coordinator, develop and implement a process to investigate the advantages and disadvantages of merging or consolidating the Borough of Franklin with adjacent municipalities including the Borough of East Conemaugh, Conemaugh Township and City of Johnstown. If found advantageous, the parties would assist the Boroughs, Township or City to place the question of merger or consolidation on the ballot for voter approval.

The primary focus of the Franklin recovery plan has been the merger or consolidation of the Borough with an adjacent municipality. The underlying reason for this recommendation is because of the Borough's non-viability not only during the recovery period but also into the future. Currently, the fiscal situation of Franklin Borough is precarious at best and challenges the Borough's ability to meet the basic needs of its

residents with continually diminishing and limited resources. In addition, socio-economic factors such as decline in population, increasing age in population and persons living in poverty and overall decrease in tax base continue to limit the ability of the Borough to provide adequate basic services to its residents.

The initial recovery plan and several updates have all recognized the non-viability of Franklin and recommended the Borough engage in boundary change discussions with adjacent municipalities. The original recovery plan recommended annulment of Franklin's charter with the Borough reverting back to Conemaugh Township from which it was created. However, because of legal obstacles the recovery plan was revised to follow the procedures for boundary change outlined in Act 47. As a result, a study was undertaken to examine the feasibility and impact of consolidation on the township. Conemaugh Township officials, however, were not receptive to further discussions.

Revised recovery plans recommended further boundary change initiatives. Subsequently a merger study with the City of Johnstown was undertaken and concluded that it was not favorable to the Borough. Another boundary change study was undertaken with East Conemaugh Borough and found no support among East Conemaugh Borough officials. Lastly, a multi-municipal boundary change study was undertaken between five municipalities in 2001-2003 (Boroughs of Franklin, East Conemaugh and Daisytown and Townships of East Taylor and Conemaugh). The effort failed because three of the five municipalities dropped out of the study process and the remaining two (Franklin and East Conemaugh Boroughs) decided to continue to pursue shared service opportunities rather than ask the voters whether to consolidate in a referendum.

SECTION 4 FINANCIAL RECOMMENDATIONS

Obtain a tax anticipation note. The need for future notes should be evaluated and determined in December for the following year based upon cash flow requirements.

The Borough does not normally secure a tax anticipation note at the beginning of the fiscal year to provide temporary financing to meet cash flow needs until revenue from property taxes is received. The Borough uses fund balance monies to pay bills or holds payments until the funds are available in March or April from proceeds of property taxes.

Petition the Court of Common Pleas of Cambria County to continue the increased rate of the earned income tax under authority of the Municipalities Financial Recovery Act, Act 47, as amended upon residents (1.5%) and non-residents (1.4%). Reduce rates as appropriate and warranted.

The Borough seeks annual court approval to levy a higher rate on the earned income tax upon residents and non-residents under Act 47. Since the higher rate became effective in 1997, the rate went from 1.5% on residents and 1.4% on non-residents respectively to 1.4% on residents and 1.3% on non-residents respectively in 2000 and has remained at this rate through 2009 out of fiscal necessity. See narrative on Higher Earned Income Tax under Authority of Act 47 in Section 2.

Enact an ordinance giving the responsibility for payment of refuse collection and sewer fees to the property owner and not tenant, in the case of rental properties.

Borough Council has completed action to impose refuse collection and sewer fees on property owners in the case of rental properties. Both are billed on a quarterly basis. The refuse collection fees cover the cost of service. The sewer fees were increased in 2008 to begin to build reserve to assist in the cost of a DEP Order to carry out assessment of system to adopt and implement corrective action plan to address sanitary sewer inflow/infiltration issues.

Continue to target delinquent tax collection through contract with private collector.

The Borough contracts with Berkheimer as the current and delinquent earned income tax collector. The Borough secretary monitors the timing of the receipt of quarterly distributions to make sure the collector is diligent with current payments due. The collector has fallen behind in the past on distribution of current collections to the Borough.

Transfer all invoices to the Franklin Volunteer Fire Company that are directly attributable to them.

The transfer of costs and expenses for their quarters in the borough building have been transferred to the Fire Company as of 1999 and continue to be paid by the Fire Company on an ongoing basis.

Redesign monthly financial statements for submission to Borough Council.

The Borough secretary uses a Quick Books software accounting and budgeting package to generate monthly, quarterly and annual budget reports and monthly treasurer's reports not only for Borough Council but also for the Act 47 Coordinator on a regular basis. The budget reports provided by the Borough Secretary should include chart of account numbers, revenue/expenditure line item, monthly totals, year-to-date totals and balance remaining for the year. The Act 47 Coordinator uses the financial data to monitor the fiscal position of the Borough and produce quarterly financial reports.

The Borough established a capital improvement fund in 1999 to set aside monies for public works equipment and improvements to facilities and roads. In addition, the Borough established a contingency fund in 1999 to be used in the event of fiscal emergencies to provide monies for extraordinary situations and circumstances that may arise.

SECTION 5 BUILDING RECOMMENDATIONS

Market the municipal building's availability, specifically the gymnasium to community groups.

The area-wide Youth Basketball Association used the borough building gymnasium for seasonal games. However the gymnasium floor is in need of repair and the Borough does not have the funds to carry out the work and has been unsuccessful in securing grant funds to pay for it. Unfortunately the gymnasium is no longer being used for

those reasons as well as to save money during the winter by turning off the heat to the room. Rental fees have decreased as a result. Heating costs have still increased for the rest of the building.

Evaluate the efficiency of the boiler.

The Borough made repairs to the existing boiler/furnace in the borough building. A contractor advised the Borough that a new furnace purchase was not necessary. PA Department of Labor and Industry inspection occurred in 2006 bringing the Borough back into compliance. The cost of heating the borough building is more because of the increase in the price of heating oil which is an ongoing concern.

The Borough received an Act 47 grant in 1989 of \$25,000 to examine the feasibility of conversion of the municipal building to gas heat. The Borough also received an Act 47 grant in 1990 of \$201,000 to carry out improvements to the borough building for the roof, windows, gymnasium, auditorium and structural items. There was also a recommendation in the original revised recovery plan of 1989 to pursue grant opportunities for borough building improvements in converting to a community recreation center which never materialized to its fullest extent.

SECTION 6

PARTNERSHIPS/INTERGOVERNMENTAL COOPERATION RECOMMENDATIONS

Continue contracting for police and garbage removal services. Renegotiate the terms of the current contracts to implement additional savings.

In the absence of boundary change the recovery plan recommended the Borough pursue and engage in intergovernmental cooperation and shared services arrangements with neighboring municipalities. The provision of services included police, public works, refuse collection and code enforcement. The Borough contracted for police services with

both Conemaugh Township and East Conemaugh Borough throughout the recovery period depending on cost and level of service. Since 2007, the Borough has been contracting police services with East Conemaugh Borough at a relatively stable cost of \$20,000 per year for 24 hour, 7 day/week coverage.

Refuse collection was handled by Conemaugh Township and East Conemaugh Borough throughout the recovery plan period. However, the Borough contracted out the responsibility of refuse collection to a private hauler in 2008 at less cost (\$20,000/yr) and plans to continue the contractual arrangement into the foreseeable future.

Develop an Agility Maintenance Enterprise (service exchange) with the Pennsylvania Department of Transportation.

The Borough downsized its public works department from four employees to one part-time employee on an as-needed basis and continues to provide limited public works services, mainly salting roads in the winter and some pothole patching. The Borough does not offer public works services sufficient enough to participate as equal partner in the Agility program with PennDot except to provide salting of State Route 271 which is a main road that runs through the Borough. The Borough pays street lighting costs out of Liquid Fuels funds it receives annually.

Continue membership with Cambria-Somerset COG and actively participate in all appropriate programs.

Code enforcement responsibilities have been transferred to the Somerset-Cambria Council of Governments, Uniform Construction Code program which includes property maintenance code services and issuing building permits for demolitions, renovations and new construction.

Work with Cambria-Somerset COG to pursue other shared service arrangements where beneficial to the Borough.

The Borough pursues shared service arrangements through the Cambria-Somerset COG when beneficial and feasible to the Borough. The Borough does not actively participate in

all COG related cooperative ventures because of the limited nature of its service delivery system and its limited resources.

Transfer electricity accounts for the borough building to Franklin Borough Volunteer Fire Company.

The transfer of the electricity accounts for the portion of the borough building used by the Franklin Borough Fire Company was completed.

**SECTION 7
ECONOMIC AND COMMUNITY DEVELOPMENT**

Continue to pursue community development and housing rehabilitation programs from the County and the State using the administrative services of the Cambria-Somerset COG.

The Borough used the administrative services of the COG approximately 10 years ago to undertake a housing rehabilitation program for 18 homes to make improvements (roofs, windows, electrical system, furnace replacement and facade) through the use of community development block grant funds benefitting a low-moderate income population. The Borough currently works with the Redevelopment Authority of Cambria County to apply for funding for demolition and renovation of blighted residential properties.

Partner with the Redevelopment Authority of Cambria County to demolish the Franklin School. Work to revitalize the property and increase the Borough's tax base.

The Franklin School building has been demolished. An industrial employer, Rollox Inc., which is in the salvage and scrap business, plans to build offices on the site.

An assessment and remediation of the former Bethlehem Steel mill site owned by EMF

Corp has occurred. A Business in our Sites (BOS) planning grant of \$175,000 was awarded in 2006 to carry out a \$200,000 environmental assessment (e.g., utilities, subsurface materials, topographic mapping, asbestos evaluation, hazardous materials evaluation, pre-demolition survey, structural assessment, building evaluation, site redevelopment and subdivision plan) and to complete a best use and feasibility study for redevelopment of the 90 acre site. Other blighted adjacent properties were purchased and demolished as part of the study in order to examine reuse of the entire parcel of land. A further decline in assessed value resulted from the demolition of properties.

EMF has completed the environmental assessment and feasibility study. The study concluded that the 90 acre parcel is ready for industrial and commercial redevelopment and reuse. EMF is currently in the process of marketing the site and working to seek potential commercial and industrial business tenants to either lease or purchase parcels.

200-500 new jobs are expected to be created over the next 5 – 10 years. The redevelopment of the EMF brown field site is consistent with regional planning efforts in the area and is expected to not only provide benefits to the Borough but also ancillary impact to the greater Johnstown area.

2009 – 2011

The real estate millage rate in 2009 was the same as in 2008 at 20.5 mills. Franklin Borough continued to levy a higher EIT under Act 47 at the same level as prior years on both residents (1.4%) and nonresidents (1.3%) respectively. The Borough continues to depend on this higher taxing authority to fund its limited and reduced municipal service delivery system primarily provided through shared service arrangements and third party contracts.

The Borough's tax base continues to stagnate and decline because of the 2008 closing of Freight Car America which at its peak in the 1990s employed over 1,500 workers and generated over \$40,000 in nonresident earned income tax revenue for the Borough. The Borough received approximately \$30,898 from nonresident earned income tax revenue

as laid off workers paid local income taxes on their final severance payments received in 2009. No more nonresident revenue is expected from Freight Car America employees who have been laid off. Some 2009 EIT revenues were also payments from the Borough's third party income EIT collector that should have been paid in 2008.

Fiscal year 2010 incorporated the same higher earned income tax rates levied under Act 47 as in 2009 on both residents and nonresidents. The Borough's dependency on this specific source of revenue continues until such time as the tax base grows to a point that permits the Borough to gradually lower the nonresident rate first and then resident rate down to 1% under the Local Tax Enabling Act.

2010 incorporated the same millage rate on real estate taxes at 20.5 mills as in 2009. The same service levels were provided for police, public works, garbage collection and code enforcement as in 2009 provided by the same parties at the same cost except for garbage collection which increased slightly per the contract with the private hauler. The Borough's skeletal service delivery system continued based on the Borough's limited revenue base and its ability to pay.

Fiscal year 2011 incorporated the same real estate millage rate as in 2009 and 2010 as well as the same earned income tax rates on residents and non-residents respectively. Service levels continued from 2011 with an increase in the cost of the multi-year refuse collection contract.

Given improvements to its financial management system, Franklin does not currently risk experiencing criterion 3, 6, 8 and 9 (See pages 8 & 9). Nor does the Borough evidence a risk of experiencing criterion 1 and 2 (See page 8) either even though a deficit occurred in 2010 in both of its governmental funds. The Borough experienced operating deficits in 2 (2008 & 2010) of the last 4 years (2008 – 2011) but not consecutively as noted in Table 2.

The additional revenue generated by the EIT has provided the Borough with resources to pay for essential governmental services and basic capital needs. Without the higher

EIT the Borough would have experienced ongoing deficit operations. With the closure of the Freight Car America facility the Borough now faces a further decline in revenues that could result in an operating deficit for 2010 and beyond.

In summary the Borough has not eliminated accrued deficits as it has experienced deficits in 2 of the last 4 years. Although the Borough has repaid a portion of the funds borrowed to retire one of its debts to DCED, it still has an outstanding balance of \$49,990. The central recommendation of the initial recovery plan found Franklin to be non-viable and that it should merge or consolidate with one or more adjacent municipalities remain a course of action that should be pursued. Until such time as boundary change can be effected the Borough should continue its shared services and third party arrangements for the limited police, code enforcement, tax collection, refuse and sewer services that are provided. It should further pursue the sale or lease of its municipal building. It should constantly be pursuing even less costly alternatives for these services and continue to actively engage in boundary change discussions with neighboring municipalities.

FRANKLIN BOROUGH CONSENT ORDER AND AGREEMENT WITH PA DEPARTMENT OF ENVIRONMENTAL PROTECTION

Franklin Borough executed an Amended Order and Agreement with the Pennsylvania Department of Environmental Protection on May 25, 2007. The Amended Order and Agreement is designed to address the sanitary sewer overflows (SSO) of Franklin Borough which conveys and contribute excess flows to the Dornick Point Sewage Treatment Plant owned and operated by the Johnstown Redevelopment Authority that also serve 19 other municipalities in the Conemaugh Valley region.

The Amended Order and Agreement obligates the Borough to a schedule of corrective actions related to its sanitary sewer system including: Phase 1 – physical survey/visual inspection (By 12/31/2008); sewer line cleaning and closed-circuit television internal inspection (By 12/31/2010); GIS sewer system mapping (By 12/31/2008); dye testing/enforcement (By 12/31/2008); and sewer system deficiency corrections (By 12/31/2010). Regular reporting of progress is required to the Department of Environmental Protection.

Phase 2 – Flow monitoring and planning (By 12/31/2010); and elimination of sanitary sewer overflows (By 12/31/2012). Regular reporting of progress is required to the Department of Environmental Protection.

Franklin Borough, in order to meet the rigorous schedule of corrective actions under the Amended Order and Agreement, has retained outside engineering services and has applied, and received approval, for DCED Shared Municipal Services Program (SMSP)

grants to pay for DEP Amended Consent Order and Agreement sewer system assessment activities. SMSP grant funds provided to the Borough for sewer assessment work to date are as follows:

\$5,000	2005	Feasibility Study
\$60,300	2006	Sewer System Assessment Work
\$87,500	2007	Sewer System Assessment Work
\$25,000	2009	Sewer System Assessment Work

\$177,800

Other grant monies for sewer system assessment work provided to Franklin Borough are DCED H2O funds of \$33,300 (2009) to pay for ongoing improvements to the sewer system. Additional funding was provide by the Cambria County Redevelopment Authority in the amount of \$142,000 (CDBG) in 2008 to pay for upgrading and repairs to manholes as part of the DEP corrective action plan under the Amended Consent Order and Agreement.

The Borough filed a PennVest application for financial assistance in the amount of \$2,885,000 in February 2011 to implement the Overflow Reduction Plan to eliminate sanitary sewer overflows by December 31, 2012. The closing on the PennVest funding was September 2011. Improvements to the Borough’s sewer system began October 2011 and will be completed by December 2012.

The Borough received a PennVest grant of \$2,819,955 and a loan of \$65,045 at an interest rate of 1% with a monthly payment of \$299.14/month for a 20 year period.

In anticipation of preparing for existing and future costs of carrying out the assessment and corrective action plan of the Borough's sewer system, Franklin has increased the sewer system line maintenance service fee it keeps in its sewer fund. The fee was increased in 2011 to \$20/month/unit from \$5/month/unit. The service fee will be revisited in 2012 and on in conjunction with the PennVest financial assistance should the Borough use the partial loan to not only cover the cost of maintenance of the sewer system but to also meet debt service payments to PennVest.

It is absolutely critical that the Borough continue to levy a sewer system line maintenance service fee sufficient to meet the Amended Consent Order and Agreement corrective action plan/schedule and future debt service requirements, if any with PennVest as well as to cover annual sewer system costs to repay loan proceeds used for sewer system improvements.

SECTION 8 NEW RECOMMENDATIONS/INITIATIVES

Based upon the above review of the Borough's progress under the original and prior amended recovery plans, the following new recommendations/initiatives are mandated as part of this current amended recovery plan.

GENERAL RECOMMENDATIONS/INITIATIVES

- 1) Franklin Borough shall continue to implement the PA Department of Environmental Protection Amended Consent Order and Agreement dated May 25, 2007 consistent with the schedule of corrective actions related to its sanitary sewer system overflow (SSO). Timely loan payments shall be made to PennVest from the Sewer Fund should a partial loan be used by Franklin Borough.
- 2) Franklin Borough shall continue to repay the Act 47 loan (1989) outstanding balance due DCED of \$49,990 consistent with the annual repayment schedule outlined as follows:

2013	\$5,000/year or \$416.67/month
2014	\$5,000/year or \$416.67/month
2015	\$5,000/year or \$416.67/month
2016	\$5,000/year or \$416.67/month
2017	\$5,000/year or \$416.67/month
2018	\$5,000/year or \$416.67/month
2019	\$5,000/year or \$416.67/month
2020	\$5,000/year or \$416.67/month
2021	\$5,000/year or \$416.67/month
2022	\$4,990/year or \$415.84/month
TOTAL PAID	\$49,990

FINANCIAL RECOMMENDATIONS/INITIATIVES

- 1) Franklin Borough shall petition the Court of Common Pleas of Cambria County annually to continue to levy an increased rate on the earned income tax upon residents and non-residents of Franklin Borough. The annual rate shall be approved by the Act 47 Coordinator prior to court approval each year.
- 2) The Borough shall continue to generate and provide monthly/quarterly budgetary performance reports (balance sheet, income/expense report or revenues/expenditures report) to Borough Council and Act 47 Coordinator on a timely basis as well as the annual audit and financial report once submitted to DCED annually.
- 3) The Borough shall continue to levy a refuse collection fee under its current ordinance to cover the cost of third party collector contractual obligations, billing and collection, advertising and other related expenses.
- 4) The Borough shall continue to levy a sewer system line maintenance service fee under the current ordinance to cover the cost of the sewer system corrective action plan under the DEP Amended Consent Order and Agreement.
- 5) The Borough shall continue to target and pursue delinquent tax and fee collection efforts through a contract with a third party private collector.

- 6) The Borough shall continue to pursue uses for the borough building to generate rental income to cover the cost of maintaining and operating the facility.

PARTNERSHIPS/INTERGOVERNMENTAL COOPERATION RECOMMENDATIONS/INITIATIVES

- 1) The Borough shall continue contracting for police, refuse collection and code enforcement services. Renegotiate terms and conditions of service contracts to achieve additional savings or bid out when required and/or advantageous.
- 2) The Borough shall continue membership with the Cambria-Somerset COG and actively participate in all appropriate programs. Continue participation in the COG regional code enforcement officer program.
- 3) The Borough shall continue to work with the Cambria-Somerset COG and adjacent municipalities to pursue new and additional shared service arrangements where beneficial to Franklin Borough.
- 4) The Borough shall work with the Franklin Borough Volunteer Fire Company to pursue a consolidation of Fire and Emergency Services with neighboring Volunteer Fire Companies and municipalities.

ECONOMIC AND COMMUNITY DEVELOPMENT RECOMMENDATIONS/INITIATIVES

- 1) Franklin Borough shall continue to pursue economic and community development programs offered by the State and County using administrative services of the Cambria-Somerset COG when appropriate or other feasible entity.
- 2) Franklin Borough shall continue to partner with the Redevelopment Authority of Cambria County to undertake redevelopment, revitalization and reconstruction programs/projects to increase the Borough's tax base.

