ORDINANCE 2018-21

AN ORDINANCE OF THE CITY OF HAZLETON, COUNTY OF LUZERNE, COMMONWEALTH OF PENNSYLVANIA, APPROVING THE ACT 47 FINANCIAL RECOVERY PLAN FOR THE CITY OF HAZLETON AS PREPARED BY THE ACT 47 COORDINATOR PURSUANT TO THE MUNICIPALITIES FINANCIAL RECOVERY ACT (53 P.S. §§ 11701.101 ET. SEQ.)

WHEREAS, *the City of Hazleton (hereinafter the "City") was declared a financially distressed municipality by Order of the Secretary of the Department of Community and Economic Development (DCED) on September 12, 2017 pursuant to 53 P.S. §§ 11701.203 of the Municipalities Financial Recovery Act; and*

WHEREAS, *DCED appointed the Pennsylvania Economy League to be the Act 47 Coordinator to prepare a plan addressing the City's financial problems; and*

WHEREAS, *the Act 47 Coordinator filed with the City on May 4, 2018, a plan titled the Act 47 Financial Recovery Plan for the City of Hazleton (Recovery Plan), to alleviate the City's financial distress; and*

WHEREAS, *pursuant to 53 P.S. §§ 11701.245 City Council shall enact an ordinance either approving or rejecting the plan.*

NOW THEREFORE, BE IT HEREBY ORDAINED AND ENACTED *by the Council of the City of Hazleton as follows:*

SECTION 1. APPROVAL OF RECOVERY PLAN*. The Act 47 Financial Recovery Plan for the City of Hazleton, as prepared by the Act 47 Coordinator, as may be revised, is hereby approved and implemented and the same is hereby directed to take place in accordance therewith. Any revisions to the Act 47 Financial Recovery Plan must also be approved by the Council of the City of Hazleton.*

SECTION 2. REPEALER*. Any ordinance conflicting with this ordinance is hereby repealed insofar as the same affects this ordinance.*

ADOPTED *by Council this 13th day of June, 2018.*

First Reading	***Second Reading***	***Third Reading***
(June 5, 2018)	*(June 13, 2018)*	*(June 13, 2018)*
Presented Gavio	*Presented Gavio*	*Presented Perry*

Seconded	*Perry*	*Seconded*	*Colombo*	*Seconded*	*Gavio*
Barletta	*Y*	*Barletta*	*Y*	*Barletta*	*Y*
Colombo	*Y*	*Colombo*	*Y*	*Colombo*	*Y*
Mope	*Y*	*Mope*	*Y*	*Mope*	*Y*
Perry	*Y*	*Perry*	*Y*	*Perry*	*Y*
Gavio	*Y*	*Gavio*	*Y*	*Gavio*	*Y*

ORDINANCE PASSES UNANIMOUSLY ON 6/13/2018

City of Hazleton
OFFICE OF THE MAYOR

JEFFREY CUSAT
Mayor

ORDER

And now this 19th Day of June, 2018, it is hereby Ordered by the Honorable Jeffrey L. Cusat, Mayor of the City of Hazleton, that the recovery plan for the City of Hazleton, as adopted by Hazleton City Council on the 13th day of June, 2018, be implemented.

So Ordered this 19th Day of June, 2018.

By: Jeffrey L Cusat
Jeffrey L. Cusat, Mayor

Allison Keegan
Witness

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ACT 47 FINANCIAL RECOVERY PLAN

FOR THE

CITY OF HAZLETON

Prepared For:

The City of Hazleton

Date Filed:

May 4, 2018

Revised on June 1, 2018

Effective Upon Adoption by Ordinance

Prepared By:

Pennsylvania Economy League, Central PA Division, LLC
88 North Franklin Street, Suite 200
Wilkes-Barre, PA 18701

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BACKGROUND

On August 8, 2017, the Mayor of the City of Hazleton filed with the Pennsylvania Department of Community and Economic Development a request for a determination of municipal financial distress pursuant to the Municipalities Financial Recovery Act (Act 47 of 1987, as amended, 53 P.S. §11701.101 *et seq.*). The Mayor also included a request for an immediate emergency loan as provided by 53 P.S. §11701.302. The Mayor's request alleged that the City met the following two criteria enumerated in Act 47:

(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.

(2) The municipality's expenditures have exceeded revenues for a period of three years or more.

53 P.S. §11701.201 (1) and (2).

Acting on the Mayor's request, DCED's Center for Local Government Services conducted an investigation into the financial affairs of the City. On August 30, 2017, the Center published the findings of its investigation in a Consultative Report of the City of Hazleton. The Consultative Report concluded that the City in fact met the two criteria set forth in the Mayor's request. The Consultative Report recommended that the Secretary of DCED declare the City a financially distressed municipality. On September 12, 2017, the Secretary of DCED, Dennis Davin, issued an administrative order determining the City to be financially distressed pursuant to Act 47. The Secretary also approved the City's request for an $850,000 Act 47 emergency loan, the proceeds of which were received by the City in October 2017.

The Pennsylvania Economy League was appointed by DCED as the Act 47 Coordinator for the City on September 26, 2017. The Coordinator presented its Preliminary Findings of the financial condition of the City at a public meeting in City Council Chambers on February 15, 2018. The Preliminary Findings projected increasing annual operating budget deficits during the period 2018 – 2022, increasing from $282,000 in 2018 to $1.1 million in 2022. Pursuant to Act 47, the Coordinator is required to prepare a plan to address the City's financial problems. This Act 47 Financial Recovery Plan for the City of Hazleton prepared by the Coordinator includes recommendations which will eliminate the projected operating deficits and restore the City's long-term fiscal integrity.

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CHAPTER 1
DESCRIPTION OF THE CITY OF HAZLETON

Introduction

The existence of municipal governments in Pennsylvania is authorized by the Pennsylvania Constitution and Pennsylvania law. All land within the Commonwealth of Pennsylvania is "incorporated" by law as a municipality with its own government. There are three primary types or "classifications" of municipal governments: cities (of the first, second, or third class), boroughs and townships (of the first or second class).

Municipal governments in Pennsylvania are the principal providers of essential public services to citizens. Services often include, among others, police and fire protection; construction and maintenance of roadways and bridges; street lighting; parks and recreation facilities and programs; planning and zoning activities; enforcement of building and related codes; water treatment and distribution; sewage collection and treatment; storm water management; solid waste collection and disposal; recycling; etc.

Location

The City of Hazleton is located in the southern part of Luzerne County about 25 miles south of the City of Wilkes-Barre. The City of Hazleton is approximately 6.0 square miles and is bounded by Hazle Township and West Hazleton Borough.

Government Structure

Municipal governments in Pennsylvania operate under the respective codes (laws) applicable to their classification of government. The City of Hazleton currently operates under the Third Class City Code. Some municipalities have adopted "Home Rule Charter" or "Optional Plan" governments under Pennsylvania's Home Rule Charter and Optional Plans Law, Act 62 of 1972, as amended (Act 62). This law allows citizens greater flexibility in structuring their municipal governments. The City of Hazleton is organized and governed by the provisions of Act 62. The City of Hazleton adopted Optional Plan B, which provides for the Mayor-Council form of government and mandates the establishment of a Department of Administration.

The Department of Administration, as required under Optional Plan B, has the following powers and duties:

1. to assist in the preparation of the budget;
2. to administer a centralized purchasing system;
3. to establish and administer a centralized personnel system;
4. to establish and maintain a centralized accounting system which shall be designed as to accurately reflect the assets, liabilities, receipts, and expenditures of the municipality; and
5. to perform other duties as Council may prescribe through the administrative ordinance or as the Mayor may direct.

The City's existing form of government may only be changed as provided in Act 62. A government study commission study must be elected pursuant to Act 62 which will review the City's existing form of government and recommend governmental changes, if any. Any recommended changes must be submitted to the City voters via a referendum for approval.

Overview of Government Services, Staffing, Taxes, and Fees

The City of Hazleton provides direct police and fire protection to its residents with full-time officers and firefighters. Fire protection is provided by full-time firefighters and supplemented by volunteer firefighters. Weekly refuse collection and curbside recycling are provided under a contract with a private hauler; residents pay $17.75 monthly for an annual fee of $213 per household. Various other public works functions (e.g., streets and storm sewer line maintenance) are carried out mainly by City personnel. There are also planning and code enforcement activities. Emergency Medical Services are provided by an independent association.

Sewage treatment is provided by an independent regional authority which charges its customers for this service. City residents and businesses also pay a "sewage transmission fee" to the independent regional authority that took over collection and conveyance in 2013 (a flat fee of $120 per quarter (increasing to $129 per quarter with July 1, 2018 billings) for residential and flat rate business connection; commercial and industrial users have graduated fees based on consumption.

City taxes in Hazleton for 2018 include a 4.39 mill real estate tax for general purposes, a 0.09 mill tax for recreation, and 1.37 mills for debt service, an earned income tax of 0.5 percent

levied under Act 511, a resident earned income tax of 0.85 levied under Act 205 for pension contribution, a $52 Local Services Tax, a $10 per capita and $5 resident tax.

In order to provide perspective on the cost of City services to its residents, the Coordinator calculated the tax and major fee burden on a hypothetical household in the City to support municipal operations in 2018. The assumptions used by the Coordinator with respect to a hypothetical City household include: a family of four with two working adults (only one of whom works within the City limits); a home valued at the median assessed value of owner-occupied housing in the City as reported by Luzerne County ($79,200); and a household income equal to $32,460, the median household income in the City according to the 2016 Census estimate. The Coordinator found that the tax and major fee burden totaled $1,655.15 or 5.10 percent of the 2016 median household income in the City. Note that the calculated tax and major fee burden does not include the Real Estate Transfer Tax or any other indirect taxes paid. (See Table 1-1 on next page.)

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Table 1-1
CITY OF HAZLETON
Tax and Major Fee Burden on a Hypothetical Household to Support City Operations [1]
2018

TAX/FEE BASE AND RATES	
Median Value of Owner-Occupied Housing [2]	$87,200
Assessed Valuation [3]	$79,200
Median Household Income [2]	$32,460
Real Estate Tax (mills)	5.85
Earned Income Tax Rate (percent)	1.35
Residential (Municipal)	$5.00
Per Capita (Municipal)	$10.00
Local Services Tax	$52.00
Garbage Collection/Recycling Fee	$213.00
Sanitary sewer charges yearly	$480.00

TAX/FEE BURDEN	
City Real Estate Tax	$463.32
City Earned Income Tax	$438.21
Residential (Municipal)	$10.00
Per Capita (Municipal)	$20.00
Local Services Tax	$52.00
Garbage Collection/Recycling	$213.00
Sanitary sewer charges	$480.00
TAX/FEE BURDEN [4]	**$1,676.53**
TAX/FEE BURDEN AS A % OF HOUSEHOLD INCOME	**5.16%**

1 The hypothetical household consists of two adults, both of whom are employed (but only one within the boundaries of the City), and two children under age 18.

2 As reported in the 2016 American Community Survey.

3 The 2017 median assessed valuation for single family owner-occupied housing as reported by the Luzerne County Assessment Office.

4 Does not include any real estate transfer or other indirect taxes paid.

Demographics

Population

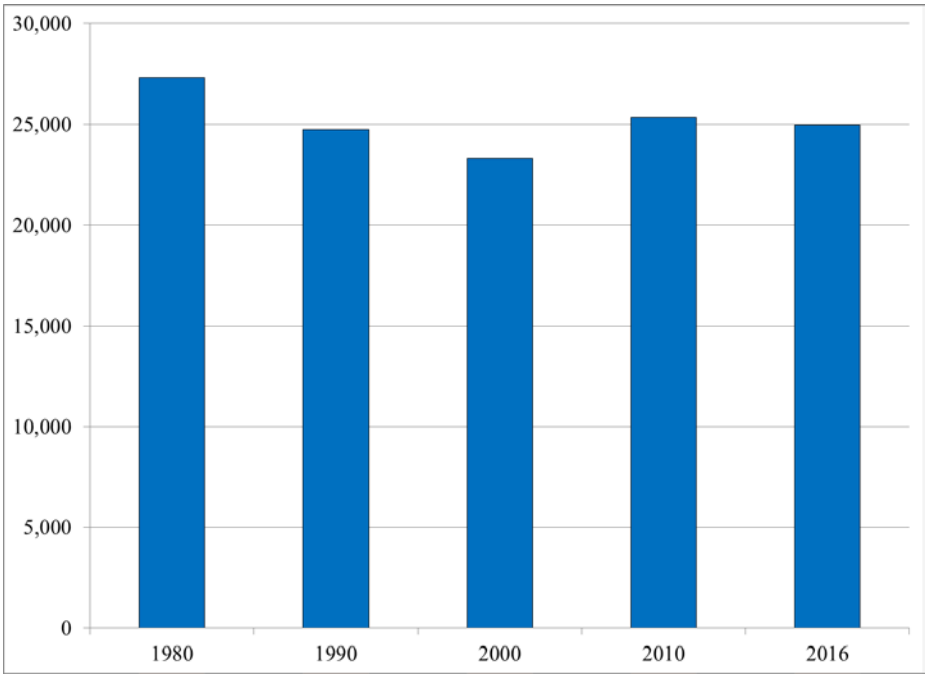
From 2010 to 2016, the City of Hazleton's population decreased by an estimated 386 persons or 1.5 percent. Between census years 2000 to 2010 the City's rate of population growth was greater than Luzerne County (8.6 percent versus 0.5 percent) and a little more than two and one-half times higher than Pennsylvania's growth rate of 3.4 percent.

The City of Hazleton experienced a decrease in population of 1,401 persons or 5.7 percent, from 24,730 in 1990 to 23,329 in 2000. During the same period Luzerne County (excluding the City of Hazleton) decreased by 7,498 persons or 2.5 percent while Pennsylvania's population increased by 399,411 or 3.4 percent. (See Table 1-2 and Graph 1-1.)

Table 1-2
CITY OF HAZLETON, LUZERNE COUNTY, PENNSYLVANIA
Population Trend
1980 to 2016

	City of Hazleton	Luzerne County	County Less City	Pennsylvania
1980	27,318	343,079	315,761	11,863,895
1990	24,730	328,149	303,419	11,881,643
2000	23,329	319,250	295,921	12,281,054
2010	25,340	320,918	295,578	12,702,379
2016	24,954	318,917	293,963	12,783,977
Population Change				
1980-1990	-2,588	-14,930	-12,342	17,748
1990-2000	-1,401	-8,899	-7,498	399,411
2000-2010	2,011	1,668	-343	421,325
2010-2016	-386	-2,001	-1,615	81,598
1980-2016	-2,364	-24,162	-21,798	920,082
Population Change %				
1980-1990	-9.5	-4.4	-3.9	0.1
1990-2000	-5.7	-2.7	-2.5	3.4
2000-2010	8.6	0.5	-0.1	3.4
2010-2016	-1.5	-0.6	-0.5	0.6
1980-2016	-8.7	-7.0	-6.9	7.8

Graph 1-1
CITY OF HAZLETON
Population Trend
1980 to 2016



Births, Deaths, and Population Change 1970 through 2009

During the 1970s resident births in the City of Hazleton totaled 3,299; deaths during this period totaled 4,091. This produced a "natural" decrease in population of 792. The actual change in population between 1970 and 1979 was a decrease of 3,108, suggesting that a net out-migration of 2,316 people had occurred. Between 1980 and 1989, there were 2,954 births in the City and 4,100 deaths. This resulted in another natural decrease in population of 1,146. However, the City's actual population fell by 2,588 during the 1980s, indicating a net out-migration of 1,442 people. During the period 1990 to 1999, births totaled 2,960 and deaths totaled 3,881 producing a natural decrease of 921. The City's total population decreased by 1,401 suggesting a net out-migration of 480 persons occurred during the 1990s. Between 2000 and 2009, there were 3,462 births and 3,750 deaths, producing a natural loss in population of 288. Hazleton's total population increased by 2,011 from 2000 to 2009 indicating a net in-migration of at least 2,299 residents had occurred. (See Table 1-3.)

Table 1-3
CITY OF HAZLETON
Resident Births, Deaths, and Population Change
1970 to 2009

	1970 to 1979	**1980 to 1989**	**1990 to 1999**	**2000 to 2009**	**1970 to 2009**
Births	3,299	2,954	2,960	3,462	12,675
Deaths	4,091	4,100	3,881	3,750	15,822
Natural Pop. Change	**-792**	**-1,146**	**-921**	**-288**	**-3,147**
Total Population (start)	30,426	27,318	24,730	23,329	30,426
Total Population (end)	27,318	24,730	23,329	25,340	25,340
Total Population Change	**-3,108**	**-2,588**	**-1,401**	**2,011**	**-5,086**
Less Natural Change	-792	-1,146	-921	-288	-3,147
Net-Migration	**-2,316**	**-1,442**	**-480**	**2,299**	**-1,939**

SOURCE: U.S. Bureau of the Census and State Health Data Center, Pennsylvania Department of Health, Harrisburg Pennsylvania. The Department specifically disclaims responsibility for any analyses, interpretations, or conclusions.

Overall, between 1970 and 2009 resident births in the City of Hazleton totaled 12,675; deaths during these same years totaled 15,822. This generated a natural decrease in population of 3,147. The actual population change during this period, however, was a decrease of 5,086, indicating an overall net out-migration of 1,939 for the past forty years. Sizable net out-migration occurred in the decade of the 1970s followed by noticeable net out-migration in the 1980s. During the 1990s there was only slight out-migration, and in the 2000s there was significant net in-migration of the total population.

Population by Age Group

According to the 2000 Census, the median age in the City of Hazleton was 40.8 years; in Luzerne County the median age was 42.5; and in Pennsylvania it was 38.0 years. In the 2016 American Community Survey the median age in the City dropped to 36.2 years, Luzerne County increased to 43.0 years and Pennsylvania's median age increased to 40.6 years. (See Table 1-4 on next page.)

Table 1-4
CITY OF HAZLETON
Median Age

	2000	2010	2016	Change
City of Hazleton	**40.8**	**37.6**	**36.2**	**-4.6**
Luzerne County	42.5	42.9	43.0	0.5
Pennsylvania	38.0	40.1	40.6	2.6

SOURCE: U.S. Bureau of the Census

Hazleton's population in the under 18 age group increased by 1,509 or 30.8 percent between 2000 and 2010; the number of residents age 18 to 64 increased by 1,600 or 12.1 percent; and those 65 or over decreased by 1,098 or 21.2 percent. In 2010, 25.3 percent of the population in the City was under 18 years of age; 58.6 percent was between the ages of 18 and 64; and 16.1 percent was age 65 or over. The proportion of Hazleton's population in the under 18 and those in the 18 to 64 age group increased between 2000 and 2010; conversely, the percentage of those age 65 and older group decreased.

The proportion of Hazleton's 2010 population between the ages of 18 and 64 (58.6 percent) was below the Luzerne County figure (61.9 percent), and the same was true for those in the 65 and over age group (16.1 percent versus 17.9 percent) making the City's population younger than Luzerne County's population as a whole. The proportion of the City's population under 18 (25.3 percent) was above the Luzerne County figure (20.2 percent). (See Table 1-5.)

Table 1-5
CITY OF HAZLETON
Population by Age Group
2000 to 2010

	2000			2010			Change in Hazleton Population 2000 to 2010	
	City of Hazleton		County	City of Hazleton		County		
	#	% of Total	% of Total	#	% of Total	% of Total	#	%
Under 18	4,907	21.0	21.0	6,416	25.3	20.2	1,509	30.8
18-64	13,239	56.7	59.3	14,839	58.6	61.9	1,600	12.1
65 & Over	5,183	22.2	19.7	4,085	16.1	17.9	-1,098	-21.2
Total	**23,329**	**100.0**	**100.0**	**25,340**	**100.0**	**100.0**	**2,011**	**8.6**

SOURCE: U.S. Bureau of the Census.

Housing Units

The **total number of housing units** in Hazleton decreased from 11,556 in 2000 to 11,409 in 2010 or by 147 units or 1.3 percent. The number of housing units in Luzerne County, however, increased by 4,062 or 2.8 percent and the total number of housing units in Pennsylvania increased by 317,565 or 6.0 percent during this same period. (See Table 1-6.)

Table 1-6
CITY OF HAZLETON
Housing Unit Trend
2000 to 2010

	Actual 2000	Actual 2010	Change 2000 to 2010 #	%
City of Hazleton	**11,556**	**11,409**	**-147**	**-1.3**
Luzerne County	144,686	148,748	4,062	2.8
Pennsylvania	5,249,750	5,567,315	317,565	6.0

SOURCE: U.S. Bureau of the Census

The **percent of owner-occupied homes** was substantially less in the City of Hazleton than either Luzerne County or Pennsylvania as a whole for the period 2000 through 2016. The 2016 percent of owner-occupied homes in Hazleton totaled 53.0 percent down from 59.0 percent in 2000. Luzerne County also decreased from 70.3 percent owner-occupied in 2000 to 68.0 percent in 2016. The percent of owner-occupied housing units in Pennsylvania fell from 71.3 percent in 2000 to 69.0 percent in 2016. (See Table 1-7.)

Table 1-7
CITY OF HAZLETON
Percent of Owner-Occupied Housing Units

	2000	2010	2016	# Change 2000-2016
City of Hazleton	**59.0**	**53.3**	**53.0**	**-6.0**
Luzerne County	70.3	68.0	68.0	-2.3
Pennsylvania	71.3	69.6	69.0	-2.3

SOURCE: U.S. Bureau of the Census

The **estimated median value of owner-occupied homes** in the City of Hazleton increased by $20,000 or 29.8 percent from $67,200 in 2000 to $87,200 in 2016. However, the estimated median value for 2016 is less than the 2010 Census figure of $92,000 by $4,800 or 5.2 percent. The median value of owner-occupied housing in Luzerne County increased faster than that of the City: 45.6 percent versus 29.8 percent. The median value of owner occupied housing units in Pennsylvania increased by $70,700 or 72.9 percent from $97,000 in 2000 to $167,700 in 2016. (See Table 1-8.)

Table 1-8
CITY OF HAZLETON
Median Value of Owner-Occupied Housing Units
2000 to 2016

	Actual 2000	Actual 2010	Estimated 2016	Change 2000 to 2016 $	Change 2000 to 2016 %
City of Hazleton	**$67,200**	**$92,000**	**$87,200**	**20,000**	**29.8**
Luzerne County	84,800	118,800	123,500	38,700	45.6
Pennsylvania	97,000	165,000	167,700	70,700	72.9

SOURCE: U.S. Bureau of the Census

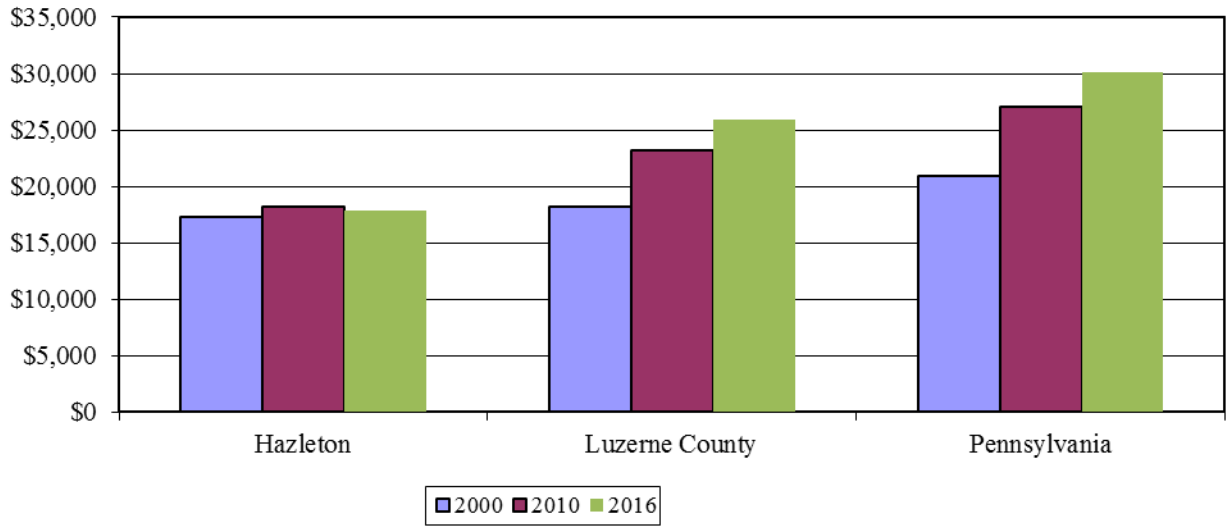
Income Measures

The 2016 **estimated median per capita income** for the City of Hazleton residents was $17,910 or $7,989 lower than the comparable figure for Luzerne County of $25,899 and $12,227 lower than the comparable statewide figure of $30,137. Since 2010, the estimated per capita income for City residents fell by $305 or 1.7 percent compared to a county-wide increase of $2,654 (11.4 percent) and a statewide increase of $3,088 or 11.4 percent. For the sixteen year period (2000-2016), the City's median per capita income (not adjusted for inflation) increased by only $640 or 3.7 percent. For the same period, Luzerne County's estimated 2016 median per capita income of $25,899 was $7,671 higher (42.1 percent). Since 2000, Pennsylvania's median per capita income increased by $9,257 or 44.3 percent from $20,880 in 2000 to $30,137 in 2016. (See Table 1-9 and Graph 1-2.)

Table 1-9
CITY OF HAZLETON
Median Per Capita Income
2000 to 2016

	Actual 2000	Actual 2010	Estimated 2016	Change 2000-2016 $	Change 2000-2016 %	Change 2010-2016 $	Change 2010-2016 %
City of Hazleton	**$17,270**	**$18,215**	**$17,910**	**$640**	**3.7**	**-$305**	**-1.7**
Luzerne County	$18,228	$23,245	$25,899	$7,671	42.1	$2,654	11.4
Pennsylvania	$20,880	$27,049	$30,137	$9,257	44.3	$3,088	11.4

Graph 1-2
Median Per Capita Income
Hazleton, Luzerne County, and Pennsylvania
2000 to 2010



Estimated Median household income[1] in the City of Hazleton increased from $32,169 in 2010 to $32,460 in 2016—up by only $291 or 0.9 percent. As a point of reference, during the same period, median household income in Luzerne County rose from $42,224 to $46,577 or $4,353 or 10.3 percent. For Pennsylvania, median household income increased from $50,398 in 2010 to $54,895 in 2016 (an increase of $4,497 or 8.9 percent). (See Table 1-10 and Graph 1-3 on next page.)

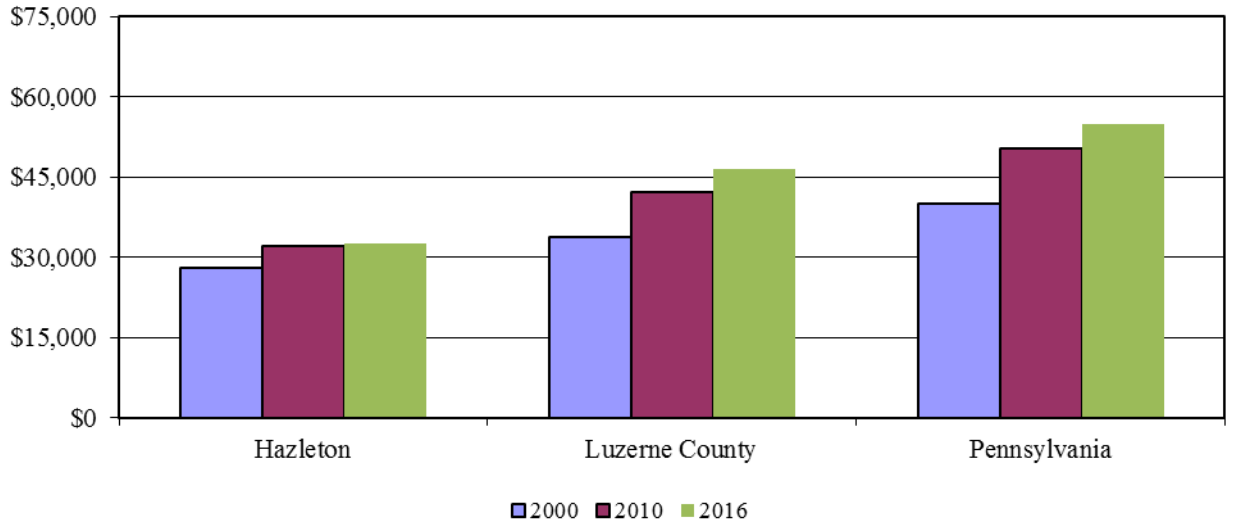
[1] A household is defined as all persons who occupy a housing unit as opposed to a family which is defined as a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. All persons in a household who are related to the householder are regarded as members of his or her family as opposed to a family which is defined as including all the persons who occupy a housing unit. A household can contain only one family for purposes of census tabulations, but not all households contain families because a household may comprise a group of unrelated persons or one person living alone.

Table 1-10
CITY OF HAZLETON
Median Household Income
2000 to 2016

	Actual 2000	Actual 2010	Estimated 2016	Change 2000 to 2016 $	Change 2000 to 2016 %	Change 2010 to 2016 $	Change 2010 to 2016 %
City of Hazleton	**$28,082**	**$32,169**	**$32,460**	**4,378**	**15.6**	**291**	**0.9**
Luzerne County	33,771	42,224	46,577	12,806	37.9	4,353	10.3
Pennsylvania	40,106	50,398	54,895	14,789	36.9	4,497	8.9

SOURCE: U.S. Bureau of the Census

Graph 1-3
Median Household Income
Hazleton, Luzerne County, and Pennsylvania
2000 to 2016



Based upon the brief demographic profile provided above some conclusions may be derived:

- Population decreased in the City of Hazleton during the 1990s, increased by 8.6 percent in the 2000s and is estimated to have decreased slightly from 2010 to 2016.
- The City of Hazleton experienced sizeable out-migration in the 1970s and 1980s, and only slight out-migration during the 1990s. However, during the decade of the 2000s the City recorded noticeable in-migration.

- The median age of the City's population in 2016 was 36.2 years—4.6 years younger than it was in 2000.
- Hazleton's population under 18 and the number of residents between the ages of 18 to 64 increased substantially between 2000 and 2010. The number of people age 65 and over decreased by 21.2 percent during this same period.
- The number of housing units decreased by 1.3 percent in the City of Hazleton from 2000 to 2010 while they increased in Luzerne County by 2.8 percent and in Pennsylvania by 6.0 percent during this same period.
- The percentage of owner-occupied housing in the City of Hazleton, Luzerne County and Pennsylvania decreased from 2000 to 2016. The greatest change was recorded in the City which fell from 59.0 percent in 2000 to 53.0 percent in 2016. A lower percentage of owner-occupied housing can indicate a more transient population with lower overall financial worth.
- The rate of growth in the median per capita income from 2000 to 2016 in the City of Hazleton was much lower than both Luzerne County and Pennsylvania. The City's growth was 3.7 percent compared to 42.1 percent in Luzerne County and 44.3 percent in Pennsylvania. The estimates for 2016 indicate that median per capita income has decreased since 2010.
- The rate of growth in median household income since 2000 in the City of Hazleton (15.6 percent) was also below Luzerne County (37.9 percent) and Pennsylvania (36.9 percent). The 2016 estimate of City median household income was nearly unchanged since 2010.

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CHAPTER 2
HISTORICAL FINANCIAL PERFORMANCE

Like all municipal governments, in order to provide municipal services to its residents and businesses, the City is dependent upon a mixture of revenue sources. Stable revenue sources with some annual growth are critical to the City's ability to meet its annual expenditures. Stable revenue sources are critical because a large part of the City's expenditures related to salaries, benefits, and other operating expenditures generally increase annually. Unfortunately for the City, the revenue received by the City from stable revenue sources has not experienced sufficient growth over the past several years making it difficult for the City to meet its annual expenditures and maintain adequate cash balances.

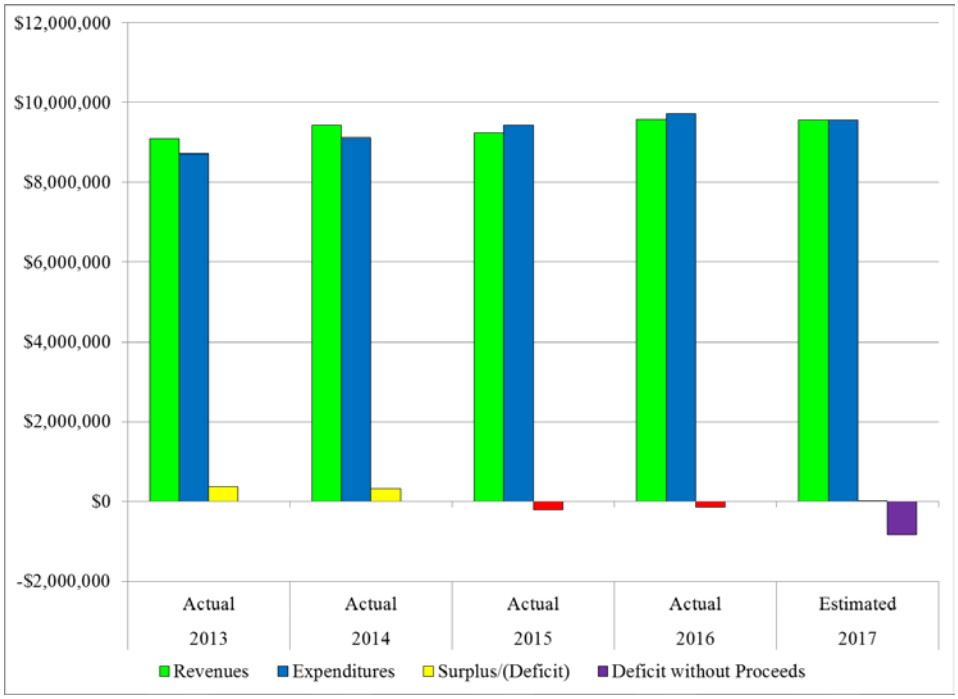
General Fund Surplus and (Deficit) 2013 – 2017

General Fund revenues in the City ranged from a low of $9.1 million in 2013 to a high of $9.6 million in 2016. The change from 2013 to 2017 was an increase of $461,850 or 5.1 percent. During the same period, General Fund expenditures fluctuated from a low of $8.7 million in 2013 to a high of $9.7 million in 2016, decreasing in 2017 to $9.6 million. The difference between 2013 and 2017 was an increase in expenditures of $831,219 or 9.5 percent. During the review period, General Fund annual deficits, indicating an excess of expenditures over revenues, occurred in 2015 ($217,193), and 2016 ($144,806). In 2017, the City received a ten year, interest free loan from the Commonwealth of $850,000. Removing those one time loan proceeds reverses the slight surplus showing the City had an operating budget deficit of $841,037 in 2017. (See Table 2-1 and Graph 2-1.)

Table 2-1
CITY OF HAZLETON
General Fund Revenues, Expenditures and Surplus/(Deficit)
2013 to 2017

	2013 Actual	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**Change 2013 - 2017 $**	**%**
Revenues	$9,101,230	$9,441,224	$9,228,679	$9,575,718	$9,563,080	461,850	5.1
Expenditures	8,722,898	9,118,031	9,445,872	9,720,524	9,554,117	831,219	9.5
Surplus/(Deficit)	**$378,332**	**$323,193**	**-$217,193**	**-$144,806**	**$8,963**		
Proceeds from Loans	0	0	0	0	850,000		
Net Surplus/(Deficit)	**$378,332**	**$323,193**	**-$217,193**	**-$144,806**	**-$841,037**		

Graph 2-1
CITY OF HAZLETON
General Fund Revenues, Expenditures and Surplus/(Deficit)
2013 to 2017



General Fund Revenues 2013 – 2017

The City's General Fund depends on a mixture of tax and nontax revenue sources. As noted above, the total General Fund revenue the City received from tax and nontax revenue sources increased from $9,101,230 in 2013 to $9,563,080 in 2017, an increase of 5.1 percent. While on its face this is encouraging information, a further examination reveals several issues.

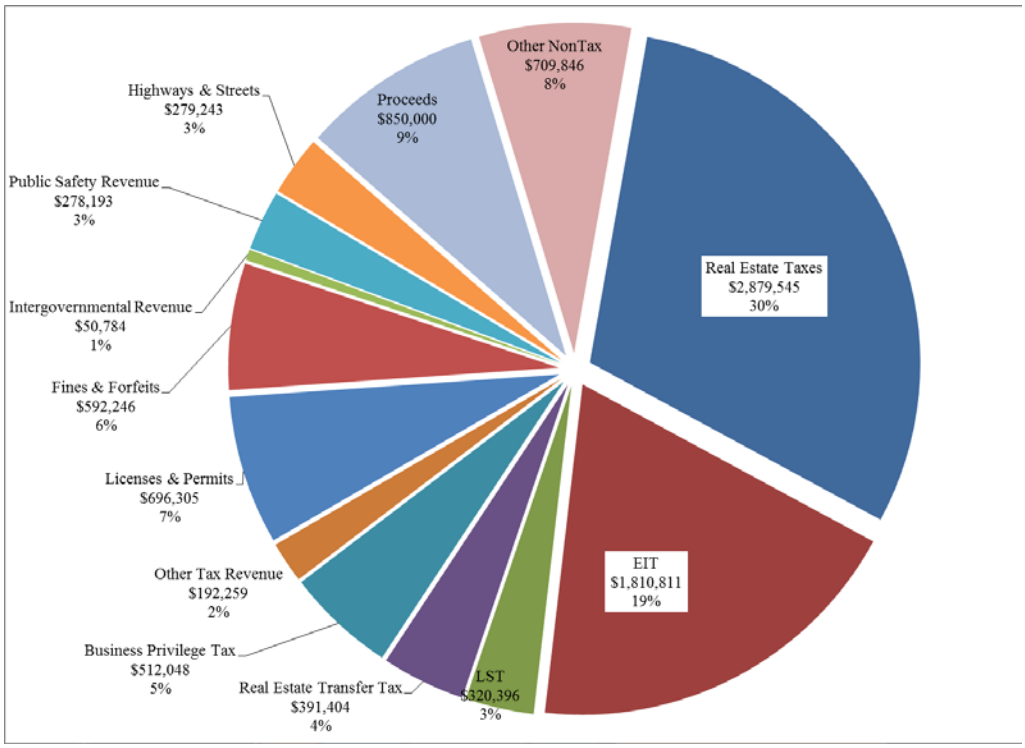
The City's two largest General Fund tax revenue sources during the 2013 - 2017 period under review were the Real Estate Tax and Earned Income Tax. These two revenues sources are usually expected to provide the City with stable, recurring annual revenue with minimal growth. Unfortunately, this has not been the City's experience. The City has experienced a 3.3 percent decrease in General Fund Real Estate Tax revenue from 2013 to 2017 reflective of a decrease in assessed valuation of 3.3 percent. The City's second largest tax revenue source, Earned Income Tax, also experienced a decrease of 3.9 percent from 2013 to 2017. Decreasing revenue from its two largest sources has made it difficult for the City to meet its increasing annual General Fund budget expenditures. Other revenue sources increased only slightly in absolute dollars over the five year review period such as Fines and Forfeits ($114,795), Highways and Streets ($251,226), and Business Privilege Tax ($78,151). The Realty Transfer tax increased by $244,488 due to a

rate increase above Third Class City Code limits; the rate has been reduced for budget year 2018. The growth in certain revenue categories was more than offset by decreases in other areas over the same review period. Significant dollar decreases in revenue were reported in Local Services Tax ($79,832), State Shared Revenue ($96,198), Public Safety Revenue ($308,759), Charges for Services ($65,642), and Miscellaneous ($546,847). Total revenue growth for the review period was $461,850; a total change that includes the extraordinary Commonwealth loan on $850,000 in 2017. Removing that $850,000 loan proceeds, revenue from ordinary sources fell by a net of $388,150 for the review period. (See Table 2-2 and Graph 2-2.)

Table 2-2
CITY OF HAZLETON
General Fund Revenues
2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
Type	**Reported**	**Reported**	**Reported**	**Reported**	**Reported**	**$**	**%**
Real Estate Taxes	2,977,596	3,205,485	3,171,723	3,240,531	2,879,545	-98,051	-3.3
Resident Tax	559	10,118	4,000	32,251	21,780	21,221	3,796.3
EIT	1,884,880	1,777,886	1,839,498	1,908,781	1,810,811	-74,069	-3.9
LST	400,228	423,015	375,765	361,833	320,396	-79,832	-19.9
Per Capita Tax	117,889	151,101	120,744	160,524	170,479	52,590	44.6
Real Estate Transfer Tax	146,916	113,135	353,912	274,476	391,404	244,488	166.4
Business Privilege Tax	433,897	548,399	549,175	549,380	512,048	78,151	18.0
Penalties & Interest	5,896	0	0	0	0	-5,896	-100.0
Licenses & Permits	650,315	651,222	625,000	592,568	696,305	45,990	7.1
Non-Bus License &Permits	47,185	48,721	65,189	32,890	41,220	-5,965	-12.6
Fines & Forfeits	477,451	406,663	436,136	528,095	592,246	114,795	24.0
Interest	3,036	1,284	1,218	954	679	-2,357	-77.6
Rents & Royalties	27,828	32,540	25,410	25,410	19,410	-8,418	-30.3
State Shared Revenue	151,351	50,684	57,769	36,630	55,153	-96,198	-63.6
Intergovernmental Revenue	44,294	37,744	40,979	49,231	50,784	6,490	14.7
Charges for Services	65,642	647	0	0	0	-65,642	-100.0
Public Safety Revenue	586,952	422,925	324,378	424,387	278,193	-308,759	-52.6
Highways & Streets	28,017	50,137	194,857	275,295	279,243	251,226	896.7
Miscellaneous Revenue	1,051,298	477,369	535,034	960,613	504,451	-546,847	-52.0
Proceeds	0	0	0	0	850,000	850,000	0.0
Transfers	0	1,032,149	507,892	121,869	88,933	88,933	0.0
Total Revenues	**9,101,230**	**9,441,224**	**9,228,679**	**9,575,718**	**9,563,080**	**461,850**	**5.1**
			Percent of Total				
Real Estate Taxes	32.7	34.0	34.4	33.8	30.1		
Resident Tax	0.0	0.1	0.0	0.3	0.2		
EIT	20.7	18.8	19.9	19.9	18.9		
LST	4.4	4.5	4.1	3.8	3.4		
Per Capita Tax	1.3	1.6	1.3	1.7	1.8		
Real Estate Transfer Tax	1.6	1.2	3.8	2.9	4.1		
Business Privilege Tax	4.8	5.8	6.0	5.7	5.4		
Penalties & Interest	0.1	0.0	0.0	0.0	0.0		
Licenses & Permits	7.1	6.9	6.8	6.2	7.3		
Non-Bus License &Permits	0.5	0.5	0.7	0.3	0.4		
Fines & Forfeits	5.2	4.3	4.7	5.5	6.2		
Interest	0.0	0.0	0.0	0.0	0.0		
Rents & Royalties	0.3	0.3	0.3	0.3	0.2		
State Shared Revenue	1.7	0.5	0.6	0.4	0.6		
Intergovernmental Revenue	0.5	0.4	0.4	0.5	0.5		
Charges for Services	0.7	0.0	0.0	0.0	0.0		
Public Safety Revenue	6.4	4.5	3.5	4.4	2.9		
Highways & Streets	0.3	0.5	2.1	2.9	2.9		
Miscellaneous Revenue	11.6	5.1	5.8	10.0	5.3		
Proceeds	0.0	0.0	0.0	0.0	8.9		
Transfers	0.0	10.9	5.5	1.3	0.9		
Total Revenues	100.0	100.0	100.0	100.0	100.0		

Graph 2-2
CITY OF HAZLETON
General Fund Revenues by Source
2017



Tax Revenues, Non-Tax Revenues, and Transfers

The City's total General Fund Tax Revenue from 2013 to 2017 increased from $5,961,965 in 2013 to $6,106,463 in 2017, an increase of $144,498 or 2.4 percent. Tax Revenue represented 65.5 percent of General Fund revenue in 2013 but decreased to 63.9 percent in 2017.

The City also receives Non-tax revenues from a variety of sources including Penalties & Interest, License & Permits, Fines, Interest, Rents & Royalties, Intergovernmental Revenue, Charges for Services, Miscellaneous and Public Safety revenues and Transfers. Revenues in 2017 from non-tax sources totaled $2,517,685 or 26.3 percent of all revenue, a decrease of $621,580 or 19.8 percent from the 2013 total of $3,139,265. In 2013, non-tax revenue accounted for 34.5 percent of all revenues.

Proceeds from the Commonwealth's Act 47 loan of $850,000 accounted for 8.9 percent of the City's total revenue in 2017. (See Table 2-3.)

Table 2-3
CITY OF HAZLETON
General Fund Revenues by Category
2013 to 2017

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Estimated	Change 2013 - 2017 $	%
Tax Revenue	$5,961,965	$6,229,139	$6,414,817	$6,527,776	$6,106,463	144,498	2.4
Non-tax Revenue	3,139,265	2,179,936	2,305,970	2,926,073	2,517,685	-621,580	-19.8
Proceeds	0	0	0	0	850,000	850,000	100.0
Transfers	0	1,032,149	507,892	121,869	88,933	88,933	<0.1
Total Revenue	**$9,101,230**	**$9,441,224**	**$9,228,679**	**$9,575,718**	**$9,563,080**	**461,850**	**5.1**
			Percent of Total				
Tax Revenue	65.5	66.0	69.5	68.2	63.9		
Non-tax Revenue	34.5	23.1	25.0	30.6	26.3		
Proceeds	0.0	0.0	0.0	0.0	8.9		
Transfers	0.0	10.9	5.5	1.2	0.9		
Total Revenue	100.0	100.0	100.0	100.0	100.0		

Taxation

Property Tax

Pursuant to the Third Class City Code, the City is authorized to levy a Real Estate Tax millage for General Fund purposes that cannot exceed 30 mills. The City may levy an additional 5 mills for General Fund purposes but the City must obtain Luzerne County Court of Common Pleas approval for each increase above 30 mills. In addition, the Third Class City Code permits the City to levy separate real estate millages for special purposes. In addition to a General Fund tax millage, the City levies Special Purpose Tax millages for debt service and recreation.

In 2013, the City's total Real Estate Tax millage (General Fund and Special Purpose) was 4.510 mills. In 2018, the City's total Real Estate Tax millage is 5.850. (See Table 2-4.)

Table 2-4
CITY OF HAZLETON
Real Estate – Tax Millage
2013 to 2018

Real Estate Mills	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
General Purpose	3.120	3.120	3.120	3.120	3.120	4.390
Debt Service	1.300	1.300	1.300	1.300	1.300	1.370
Recreation	0.090	0.090	0.090	0.090	0.090	0.090
Total Real Estate Mills	**4.510**	**4.510**	**4.510**	**4.510**	**4.510**	**5.850**

Other Tax Rates

The City levies other taxes on residents and nonresidents as authorized by the Local Tax Enabling Act, Act 511 of 1965, as amended (LTEA) and the Municipal Pension Plan Funding Standard and Recovery Act, Act 205 of 1984, as amended (Act 205).

The City levies a total earned income tax rate of 1.35 percent on its residents. One half of a percent or .5 percent is levied pursuant to the LTEA for General Fund purposes. The City's LTEA rate is limited to .5 percent by Act 50 of 1998, the Local Taxpayers Bill of Rights Act. The remaining .85 percent resident earned income tax is levied by the City pursuant to Act 205. The revenue produced by the .85 percent is mandated by Act 205 for the City's distressed pension plan expenses only. Also, under the authorization of Act 205 the City levies a 0.85 percent earned income tax on the earned income of non-residents which is mandated by Act 205 to be used for financing of the City's distressed pension plans. The City also levies a local services tax of $52 of which $5 is shared with the Hazleton Area School District. The City's tax rates for earned income (Act 511), realty transfer, per capita, local services and resident taxes are levied at the maximum rate allowed by law. (See Table 2-5.)

Table 2-5
HAZLETON CITY
Net Municipal Tax Rates
2013- 2018

Tax	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
EIT Resident (percent) Act 511/Act 205	1.35	1.35	1.35	1.35	1.35	1.35
EIT Nonresident (percent) Act 511/Act 205	1.85	1.85	1.85	1.85	1.85	1.85
Local Services Tax (LST) (dollars)	47.00	47.00	47.00	47.00	47.00	47.00
Realty Transfer (percent)	0.50	0.50	1.00	1.00	1.00	0.50
Per Capita (dollars)	10.00	10.00	10.00	10.00	10.00	10.00
Residence (dollars)	5.00	5.00	5.00	5.00	5.00	5.00
Mercantile/Business Privilege - Wholesale (mills)	1.00	1.00	1.00	1.00	1.00	1.00
Mercantile/Business Privilege - Retail (mills)	1.00	1.00	1.00	1.00	1.00	1.00
Mercantile/Business Privilege - Other (mills)	2.00	2.00	2.00	2.00	2.00	2.00

Changes in Assessed and Market Valuations of Real Estate

The assessed valuation of real estate in the City decreased from 2012 to 2016, by $33,464,500 (3.3 percent). During this period, the market value of properties in the City decreased both in dollar value ($8,343,047) and percent (1.2 percent). During the period following the 2009 countywide reassessment through 2016, the Common Level Ratio (CLR) of assessed value to current market value as established by the State Tax Equalization Board (STEB) exceeded 100 percent of market value each reporting year. A ratio over 100 percent indicates that assessed values of taxable property exceed the estimated market value of properties

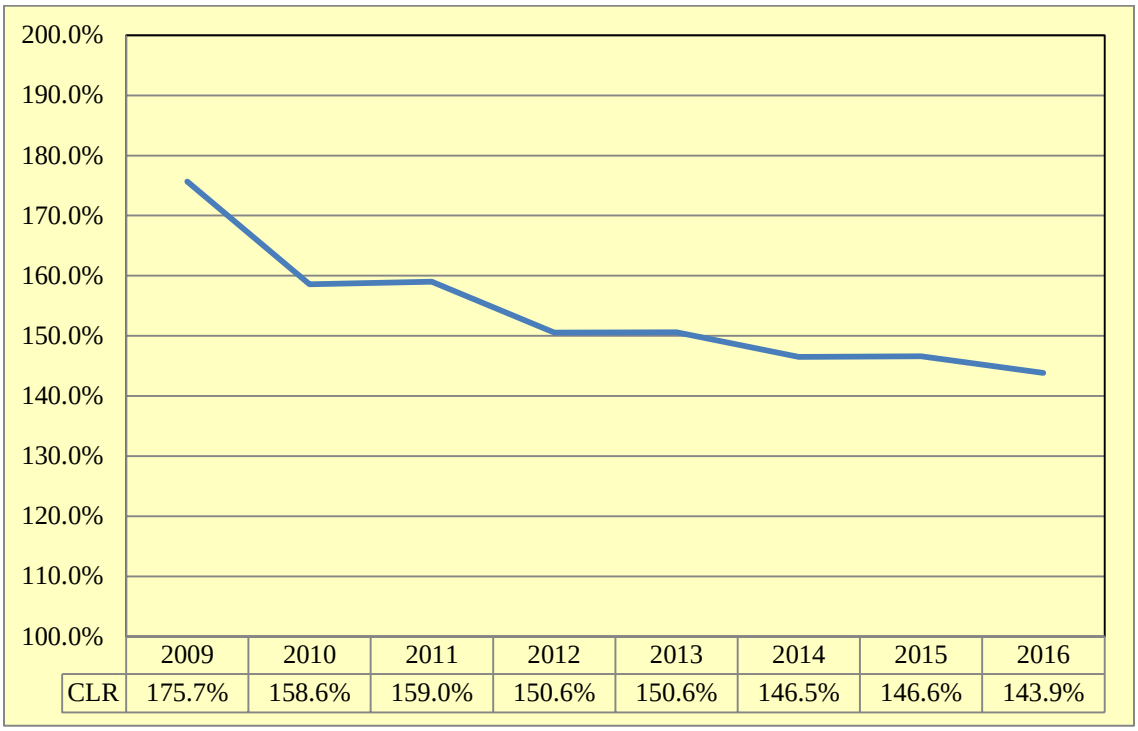
as determined by STEB utilizing statistically acceptable techniques, including sales ratio studies. The practical impact of this CLR can be to increase appeals by owners of a property's assessed valuation. These appeals may result in a reduction of assessed valuation and therefore real estate tax revenue to the City. The combination of relatively flat market valuations and a high CLR of property may constrain the City's future ability to rely only on increasing property values to mitigate the need for increases in City Real Estate Tax revenue absent Real Estate millage increases. (See Table 2-6 and Graph 2-3.)

Table 2-6
CITY OF HAZLETON
Market Value and Assessed Valuation
2011 to 2014

						Change	
	2012	**2013**	**2014**	**2015**	**2016**	**$**	**%**
STEB Market	678,487,627	675,884,314	686,753,370	681,060,366	686,830,674	8,343,047	1.2
Assessed	1,021,511,400	1,017,880,700	1,006,189,100	998,315,200	988,046,900	-33,464,500	-3.3

Source: Tax Equalization Division, PA DCED, latest data on market value available.

Graph 2-3
CITY OF HAZLETON
Ratio of Assessed to Market Value
2009 to 2016



Taxable and Tax Exempt Real Property Valuation

Taxable parcels comprise 88.1 percent of the total assessed valuation within the City while the remainder, 11.9 percent, is exempt from taxation. Compared to other Pennsylvania cities, this can be considered a reasonable amount of exempt property. (See Table 2-7.)

Table 2-7
CITY OF HAZLETON
Assessed Values: Taxable and Exempt
2018

Type	Total Assessed Valuation	Number	% of Total
Taxable	$968,809,600	9,516	88.1
Exempt	131,056,500	362	11.9
Total	$1,099,866,100	9,878	100.0

Source: Luzerne County Tax Assessment Office.

Taxable and Exempt Properties

Based upon categories assigned by the Luzerne County Tax Assessment Office, the predominant taxable category in the City is Residential Single Family (7,327 or 74.2 percent of the total number and 60.0 percent of total assessed valuation). Commercial uses (998 or 10.1 percent), vacant lots (497 or 5.0 percent), and residential multi-family (455 or 4.6 percent) comprise the next three largest categories of taxable property. Taxable commercial uses are 19.4 percent of the City's total assessed valuation. Despite being the third largest category in absolute terms, vacant lots comprise only 0.8 percent of the total assessed valuations. Commercial exempt, including cemeteries and exempt commercial land, comprise 11.5 percent of the City's total assessed valuation. (See Table 2-8 on next page.)

Table 2-8
CITY OF HAZLETON
2018 Assessed Values by Category

Description	Count	Percent of Total	Total Assessed Valuation	Percent of Total
Residential	7,327	74.2%	$658,120,100	60.0%
Commercial	998	10.1	213,113,200	19.4
Vacant Lots	497	5.0	8,622,600	0.8
Residential Multi-family	455	4.6	52,819,200	4.8
Commercial Exempt	273	2.8	125,936,800	11.5
Mobile Home	142	1.4	6,043,200	0.6
Residential Commercial	66	0.7	8,049,100	0.7
Vacant Lots Exempt	43	0.4	1,142,700	0.1
Industrial	41	0.4	19,751,100	1.8
Residential Exempt	26	0.3	2,824,900	0.3
Mineral Exempt	5	–	–	–
Vacant	4	0.0	551,800	0.1
Mineral	1	0.0	58,800	0.0
Totals	**9,878**	**100.0%**	**$1,097,033,500**	**100.0%**

In 2018, the fiscal year impact to the City of properties exempt from taxation is a loss of $759,941 in revenue. Of the 362 tax exempt parcels in the City, the two largest are commercial exempt (273) and vacant exempt lots (43) and residential exempt (26). (See Table 2-9.)

Table 2-9
CITY OF HAZLETON
Revenue Impact of Exempt from Taxation Properties
Based on 2018 Tax Rates and 2018 Assessed Valuations

Category	Number	Percent	Tax Revenue	% of Total
Commercial Exempt	273	75.4	$736,730	96.9
Vacant Lots Exempt	43	11.9	6,685	0.9
Residential Exempt	26	7.2	16,526	2.2
Repository/PURTA	15	4.1	–	–
Mineral Exempt	5	1.4	–	–
Totals	**362**	**100.0%**	**$759,941**	**100.0%**

General Fund Expenditures 2013 – 2017

Employee versus Non-Employee Expenditures

Employee expenses during the review period ranged from a low in 2014 of $7,199,224 to the high of $8,271,980 in 2017. Employee expenses as a proportion of General Fund expenditures ranged from 79.0 percent in 2014 to 86.6 percent in 2017. Employee expenditures

generally include salary and wages, pay for longevity, overtime, and time not worked such as holiday, vacation or sick leave, health and disability insurance, and pension contributions.

Non-Employee expenditures ranged from a low of $1,166,634 in 2017 to a high of $2,045,396 in 2013. The change during the period was a decrease of $878,762 (43.0 percent). In 2017, Nonemployee expenditures were 12.2 percent of total General Fund expenditures. The Nonemployee category generally include utilities, equipment, maintenance and repairs, insurance (excluding health and workers' compensation related), engineering, training, vehicles, hydrants, third-party inspections (code enforcement) and general expenses. Transfers accounted for 1.2 percent of the remaining General Fund expenditure categories in 2017. The Transfer amounts expended throughout the review period varied but were never more than 1.7 percent of expenditures. (See Table 2-10.)

Table 2-10
CITY OF HAZLETON
GENERAL FUND
Employee versus Non-Employee Expenditures
2013 to 2017

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013-2017 $	Change 2013-2017 %
Employee	$7,220,973	$7,199,224	$7,744,197	$8,109,005	$8,271,980	1,051,007	14.6
Nonemployee	2,045,396	1,764,986	1,587,040	1,510,304	1,166,634	-878,762	-43.0
Transfers	-543,471	153,821	114,635	101,215	115,504	427,967	-78.7
Total	**8,722,898**	**9,118,031**	**9,445,872**	**9,720,524**	**9,554,117**	**831,219**	**9.5**
			Percent of Total Expenditures				
Employee	82.8	79.0	82.0	83.4	86.6		
Nonemployee	23.4	19.4	16.8	15.5	12.2		
Transfers	-6.2	1.7	1.2	1.0	1.2		
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		

City employees' direct compensation (salary and wages) ranged from $5,567,172 in 2013 to $6,016,608 in 2015. The change over the period 2013 to 2017 was $317,605 (5.7 percent). In 2013, salary and wages expenditures represented 63.8 percent of General Fund expenditures decreasing to 61.6 percent in 2017. Total employee expenses represented 82.8 percent of total General Fund expenses in 2013 and increased to 86.6 percent in 2017, largely due to the increasing employee benefit costs during the period. Total non-employee expenditures fluctuated throughout the period, with non- employee expenditures ranging from $1,166,633 in 2017 to a high of $2,045,396 in 2013. In 2017, non-employee expenditures represented 12.2 percent of General Fund expenditures. (See Table 2-11.)

Table 2-11
CITY OF HAZLETON
GENERAL FUND
Expenditure Categories
2013 to 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Direct Compensation	5,567,172	5,588,881	6,016,608	5,954,070	5,884,777	317,605	5.7
Benefits	1,263,180	1,242,852	1,260,570	1,651,962	1,845,124	581,944	46.1
Workers' Comp	347,822	334,547	433,689	459,850	493,674	145,852	41.9
Uniform Allowance	42,799	32,944	33,330	43,123	48,405	5,606	13.1
Total Employee	**7,220,973**	**7,199,224**	**7,744,197**	**8,109,005**	**8,271,980**	**1,051,007**	**14.6**
Services	854,969	837,951	808,412	798,724	675,017	-179,952	-21.0
Supplies	434,516	243,046	208,429	183,002	159,706	-274,810	-63.2
Vehicle	42,916	56,173	31,527	22,938	25,127	-17,789	-41.5
Insurance	311,360	318,956	338,793	352,407	176,829	-134,531	-43.2
Other	401,635	308,860	199,879	153,233	129,954	-271,681	-67.6
Total Non-Employee	**2,045,396**	**1,764,986**	**1,587,040**	**1,510,304**	**1,166,633**	**-878,763**	**-43.0**
Transfers	-543,471	153,821	114,635	101,215	115,504	427,967	-78.7
Total Expenditures	**8,722,898**	**9,118,031**	**9,445,872**	**9,720,524**	**9,554,117**	**831,219**	**9.5**

Percent of Total Expenditures

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Direct Compensation	63.8	61.3	63.7	61.3	61.6
Benefits	14.5	13.6	13.3	17.0	19.3
Workers' Comp	4.0	3.7	4.6	4.7	5.2
Uniform Allowance	0.5	0.4	0.4	0.4	0.5
Total Employee	**82.8**	**79.0**	**82.0**	**83.4**	**86.6**
Services	9.8	9.2	8.6	8.2	7.1
Supplies	5.0	2.7	2.2	1.9	1.7
Vehicle	0.5	0.6	0.3	0.2	0.3
Insurance	3.6	3.5	3.6	3.6	1.9
Other	4.6	3.4	2.1	1.6	1.4
Total Non-Employee	**23.4**	**19.4**	**16.8**	**15.5**	**12.2**
Transfers	**-6.2**	**1.7**	**1.2**	**1.0**	**1.2**

Departmental Expenditures

In 2017, Police, Fire, and Public Works accounted for the largest amount of City General Fund expenditures at more than 75 percent of the total. During the review period, Police averaged about 44 percent of total expenditures. Fire expenditures represented more than 20 percent in 2017 and averaged 19.9 percent for the review period. Public Works including street maintenance and garage were 15.9 percent in 2017 and averaged 14.4 for the period 2013-2017. (See Table 2-12 on next page.)

Table 2-12
CITY OF HAZLETON
General Fund Departmental Expenditures
2013 to 2017

Department	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Council	70,488	62,714	52,623	64,050	51,404	-19,084	-27.1
Executive	101,659	96,853	109,595	114,255	115,208	13,549	13.3
Financial Administration	267,919	283,913	319,041	312,626	249,065	-18,854	-7.0
Tax Collector/Treasurer	105,307	105,304	102,684	115,748	71,170	-34,137	-32.4
Solicitor	187,984	213,663	179,006	154,121	122,808	-65,176	-34.7
City Clerk	39,668	42,182	45,956	44,721	55,675	16,007	40.4
Payroll	44,114	47,589	59,755	69,805	65,119	21,005	47.6
Data Processing	0	0	0	0	0	0	0.0
Engineering	205,093	153,371	139,655	152,055	135,921	-69,172	-33.7
Building & Plant	356,537	429,287	458,178	414,347	286,737	-69,800	-19.6
Police	4,216,633	4,014,887	4,147,850	4,195,527	4,043,749	-172,884	-4.1
Fire	1,690,678	1,722,105	1,830,219	1,993,091	2,027,325	336,647	19.9
Parking	0	0	0	1,744	226,334	226,334	0.0
Code Enforcement	257,825	302,444	453,417	402,301	341,904	84,079	32.6
Planning & Zoning	15,390	13,876	18,658	17,317	19,412	4,022	26.1
Health	164,056	161,520	118,920	76,825	72,909	-91,147	-55.6
PW Street Maintenance	943,823	963,633	1,017,737	1,092,347	1,209,944	266,121	28.2
PW Municipal Garage	254,342	272,877	317,000	347,130	312,523	58,181	22.9
Shade Tree	424	0	0	0	0	-424	-100.0
Miscellaneous	196,124	725	-97,758	1,310	1,649	-194,475	-99.2
Insurance	148,305	77,267	58,701	49,989	29,756	-118,549	-79.9
Transfers	-543,471	153,821	114,635	101,215	115,504	658,975	-121.3
Total Expenditures	**8,722,898**	**9,118,031**	**9,445,872**	**9,720,524**	**9,554,117**	**831,219**	**9.5**

Percent of Total

Department	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Council	0.8	0.7	0.6	0.7	0.5
Executive	1.2	1.1	1.2	1.2	1.2
Financial Administration	3.1	3.1	3.4	3.2	2.6
Tax Collector/Treasurer	1.2	1.2	1.1	1.2	0.7
Solicitor	2.2	2.3	1.9	1.6	1.3
City Clerk	0.5	0.5	0.5	0.5	0.6
Payroll	0.5	0.5	0.6	0.7	0.7
Data Processing	0.0	0.0	0.0	0.0	0.0
Engineering	2.4	1.7	1.5	1.6	1.4
Building & Plant	4.1	4.7	4.9	4.3	3.0
Police	48.3	44.0	43.9	43.2	42.3
Fire	19.4	18.9	19.4	20.5	21.2
Parking	0.0	0.0	0.0	0.0	2.4
Code Enforcement	3.0	3.3	4.8	4.1	3.6
Planning & Zoning	0.2	0.2	0.2	0.2	0.2
Health	1.9	1.8	1.3	0.8	0.8
PW Street Maintenance	10.8	10.6	10.8	11.2	12.7
PW Municipal Garage	2.9	3.0	3.4	3.6	3.3
Shade Tree	0.0	0.0	0.0	0.0	0.0
Miscellaneous	2.2	0.0	-1.0	0.0	0.0
Insurance	1.7	0.8	0.6	0.5	0.3
Transfers	-6.2	1.7	1.2	1.0	1.2
Total Expenditures	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Police

Direct compensation for police personnel is the largest Police expenditure. Salaries for the Police varied from a low of $2,738,875 in 2017 to a high of $2,885,802 in 2015 as the number of officers fluctuated over the review period. The change from 2013 to 2017 was a decrease of $23,724 (0.9 percent). Benefits expenditures, including health insurance, rose by 18.0 percent during the period from $597,537 in 2013 to $768,221 in 2017, an increase of $170,684 (28.6 percent). The cost of Workers' Compensation insurance increased over the period by $53,395 (28.7 percent). (See Table 2-13.)

Table 2-13
CITY OF HAZLETON
Police Expenditures
2013 - 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Direct Compensation	2,762,599	2,741,398	2,885,802	2,876,919	2,738,875	-23,724	-0.9
Benefits	597,537	585,942	552,855	705,143	768,221	170,684	28.6
Workers' Comp	186,125	174,251	225,162	226,270	239,520	53,395	28.7
Uniform Allowance	30,193	22,372	22,830	29,882	37,419	7,226	23.9
Total Employee	**3,576,454**	**3,523,963**	**3,686,649**	**3,838,214**	**3,784,035**	**207,581**	**5.8**
Services	87,916	66,569	98,870	107,236	65,661	-22,255	-25.3
Supplies	130,771	140,150	100,173	74,776	70,264	-60,507	-46.3
Vehicle	0	0	0	0	0	0	0.0
Insurance	54,005	76,617	79,119	94,019	61,090	7,085	13.1
Other	367,487	207,588	183,039	81,282	62,700	-304,787	-82.9
Total Non-Employee	**640,179**	**490,924**	**461,201**	**357,313**	**259,714**	**-380,465**	**-59.4**
Total	**4,216,633**	**4,014,887**	**4,147,850**	**4,195,527**	**4,043,749**	**-21,106**	**-0.5**

Fire

The direct compensation for firefighters is the largest Fire Department expenditure. Salaries for the Fire Department ranged from a low of $1,196,338 in 2013 to a high of $1,349,370 in 2016. The change from 2013 to 2017 was an increase of $123,897 or 10.4 percent. Benefits expenditures, including health insurance, rose by $161,761 or 50.0 percent from $323,375 in 2013 to $485,136 in 2017. The cost of Workers' Compensation insurance increased over the period by $35,411 (42.2 percent). (See Table 2-14 on next page.)

Table 2-14
CITY OF HAZLETON
Fire Expenditures
2013 - 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Direct Compensation	1,196,338	1,237,930	1,291,968	1,349,370	1,320,235	123,897	10.4
Benefits	323,375	327,833	323,190	428,563	485,136	161,761	50.0
Workers' Comp	83,968	83,003	103,476	111,138	119,379	35,411	42.2
Uniform Allowance	12,606	10,572	10,500	13,241	10,986	-1,620	-12.9
Total Employee	**1,616,287**	**1,659,338**	**1,729,134**	**1,902,312**	**1,935,737**	**319,450**	**19.8**
Services	39,099	34,051	77,301	63,871	62,859	23,760	60.8
Supplies	4,626	3,995	2,506	3,610	2,176	-2,450	-53.0
Vehicle	9,582	10,076	6,834	6,205	6,117	-3,465	-36.2
Insurance	20,920	13,323	14,179	15,453	9,158	-11,762	-56.2
Other	164	1,322	265	1,640	11,278	11,114	6,776.8
Total Non-Employee	**74,391**	**62,767**	**101,085**	**90,779**	**91,588**	**17,197**	**23.1**
Total	**1,690,678**	**1,722,105**	**1,830,219**	**1,993,091**	**2,027,325**	**336,647**	**19.9**

Public Works

As with other City departments, salaries are the largest Public Works expenditure. Public Works direct compensation fluctuated during the historical review period, ranging from a low of $1,017,318 in 2014 to a high of $1,099,418 in 2016. Overall, during the review period Public Works salaries and wages increased by $56,149 (5.4 percent). Public Works Benefits, including health insurance, increased significantly during this period, from $242,462 in 2013 to $387,992 in 2017 or by $145,962 (60.3 percent). (See Table 2-15.)

Table 2-15
CITY OF HAZLETON
Public Works Expenditures
2013 to 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Direct Compensation	1,031,963	1,017,318	1,091,127	1,099,418	1,088,112	56,149	5.4
Benefits	242,030	227,140	273,059	383,567	387,992	145,962	60.3
Workers' Comp	68,406	67,767	91,983	103,017	109,372	40,966	59.9
Uniform Allowance	0	0	0	0	0	0	0.0
Total Employee	**1,342,399**	**1,312,225**	**1,456,169**	**1,586,002**	**1,585,476**	**243,077**	**18.1**
Services	276,446	286,171	195,393	202,013	197,635	-78,811	-28.5
Supplies	77,401	84,012	79,855	77,810	69,279	-8,122	-10.5
Vehicle	33,334	46,097	24,693	16,733	19,010	-14,324	-43.0
Insurance	26,850	77,323	113,604	115,623	50,840	23,990	89.3
Other	3,365	13,340	62,856	7,698	22,885	19,520	580.1
Total Non-Employee	**417,396**	**506,943**	**476,401**	**419,877**	**359,650**	**-57,746**	**-13.8**
Total	**1,759,795**	**1,819,168**	**1,932,570**	**2,005,879**	**1,945,125**	**185,330**	**10.5**

General Government

Direct compensation for general government personnel varied from a low of $339,652 in 2013 to a high of $507,844 in 2017. The change from 2013 to 2017 was an increase of $168,192 (49.5 percent). Benefits expenditures, including health insurance, rose by 199.2 percent during the period from $51,860 in 2013 to $155,339 in 2017, an increase of $103,479. (See Table 2-16.)

Table 2-16
CITY OF HAZLETON
General Government Expenditures
2013 - 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Direct Compensation	339,652	342,776	433,422	389,300	507,844	168,192	49.5
Benefits	51,860	54,217	63,238	90,333	155,339	103,479	199.5
Workers' Comp	819	718	1,094	566	12,372	11,553	1,410.7
Uniform Allowance	0	0	0	0	0	0	0.0
Total Employee	**392,331**	**397,711**	**497,754**	**480,199**	**675,556**	**283,225**	**72.2**
Services	326,677	295,761	254,177	266,073	225,497	-101,180	-31.0
Supplies	203,688	4,820	4,382	5,635	9,369	-194,319	-95.4
Vehicle	0	0	0	0	0	0	0.0
Insurance	209,585	147,058	127,214	122,311	52,630	-156,955	-74.9
Other	29,711	84,860	-53,924	54,151	25,136	-4,575	-15.4
Transfers	-543,471	153,821	114,635	101,215	115,504	658,975	-121.3
Total Non-Employee	**226,190**	**686,320**	**446,484**	**549,385**	**428,137**	**201,947**	**89.3**
Total	**618,521**	**1,084,031**	**944,238**	**1,029,584**	**1,103,692**	**485,171**	**78.4**

Other Funds

The City of Hazleton has several funds in addition to the General Fund. The City's 2016 Audit lists major governmental funds as General Fund, Act 205 Fund, and the Office of Community Development. Non major funds include: General Service, Liquid Fuels, Special Recreation, Debt Service, Storm Water, Sewer Improvements, Airport, Public Transit, and the Redevelopment Authority. All funds were reviewed. However, the funds looked at more in depth include the Act 205, the Recreation and Debt Service. The Act 205 Fund records Earned Income Taxes for the payments of pensions. Real Estate Taxes are recorded in the Recreation and Debt Services based upon special millages designated for these specific purposes.

Act 205

Pennsylvania Act 205 of 1984, the Municipal Pension Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended) provides for a municipal mandated contribution—the Minimal Municipal Obligation (MMO)—to the City's defined benefit pension

plans for Police, Fire and Non-uniformed employees. Such MMO payments are determined by a biennial actuarial valuation and are equal to the sum of the normal costs, administrative expenses, amortization of the unfunded actuarial accrued liability less any member contributions and less 10 percent of the asset value of plan assets over the actuarial accrued liability, if any.

Act 205 also provides certain state aid funding to the municipality and allows, under certain cases, for the imposition by the municipality of both a resident and non-resident earned income tax (beyond the normal Act 511 earned income tax rate) to meet pension obligations. The City, under Act 205 and pursuant to Ordinance No. 86-28, has levied such an additional tax for residents and non-residents effective as of January 1, 2013.

The Act 205 Fund (labeled as such in the City's Audit and commonly referred to by the City as the Pension Fund) accounts for the transactions relative to pension revenue and expenditures.

The Act 205 Fund records Earned Income Taxes and the Commonwealth's State Aid for the payments of pensions. The City's Minimum Municipal Obligation (MMO) payment for each of the City's pensions is also recorded in this account.

Revenue

- State Pension Aid. Payments from the Commonwealth based on the legislative formula in Act 205 have trended from $598,191 in 2013 to $729,532 in 2017, increasing by $131,341. For 2017, the state reimbursement allocated approximately $3,235 per covered pension unit with each police officer and firefighter counting as two units and a non-uniformed employee equal to one unit.
- EIT/Pension Tax. By far, the most important revenue source for the Act 205 Fund has been the pension related earned income tax. This revenue ranged from a low of $3.74 million in 2013 to a high of $4.5 million in 2016. The reported revenue for 2017 estimates $4.3 million in tax revenue.
- Interest Earnings have increased through the historic period from $1,736 in 2013 to $10,487 in 2017. (See Table 2-17.)

Expenditures

- Public Safety Municipal Contributions have increased from $3.6 million in 2013 to $5.0 million in 2017.

- General government employees' pension expenditures trended downward from $238,927 in 2013 to $60,625 in 2017. (See Table 2-17.)

Fund Surplus (Deficit)

The City's Act 205 Fund had both operating surpluses and deficits during the 2013 – 2017 review period. Also during the review period, the Act 205 Fund maintained a significant fund balance ranging from $749,153 in 2013 increasing to $1,747,566 in 2017.

Table 2-17
CITY OF HAZLETON
Act 205 Fund
2013 - 2017

	2013 Audit	2014 Audit	2015 Audit	2016 Audit	2017 Reported	Change 2013-2017 $	%
Revenues							
Taxes	3,740,195	3,954,883	4,087,608	4,513,955	4,330,342	590,147	15.8
Intergovernmental	598,191	600,265	638,736	738,114	729,532	131,341	22.0
Interest	1,736	2,275	2,538	8,087	10,487	8,751	504.1
Revenues	**4,340,122**	**4,557,423**	**4,728,882**	**5,260,156**	**5,070,362**	**730,240**	**16.8**
Expenditures							
General Government	238,927	75,695	58,839	62,753	60,625	-178,302	-74.6
Public Safety	3,643,427	4,279,531	4,675,514	4,398,063	5,052,390	1,408,963	38.7
Expenditures	**3,882,354**	**4,355,226**	**4,734,353**	**4,460,816**	**5,113,015**	**1,230,661**	**31.7**
Surplus/(Deficit)	**457,768**	**202,197**	**-5,471**	**799,340**	**-42,653**	**-500,421**	**-109.3**
Fund Balance BOY	**336,385**	**794,153**	**996,350**	**990,879**	**1,790,219**		
Fund Balance EOY	**794,153**	**996,350**	**990,879**	**1,790,219**	**1,747,566**		

Debt Service

The Debt Service Fund is used to account for the accumulation of revenue and the payment of expenditures to meet the City's General Obligation debt. The City's outstanding debt has varied throughout the period with the latest refinancing occurring in 2015. In 2017, the City obtained an $850,000 emergency Act 47 loan from the Commonwealth. This loan has a term of 10 years at zero percent interest. (See Table 2-18 on next page.)

Table 2-18
CITY OF HAZLETON
Historical Outstanding Debt Balances
2013 - 2017

e	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Reported
General Obligation Bonds, Series 2005	$4,285,000	$3,740,000	$3,175,000	$2,850,000	$2,505,000
2008 Guaranteed Sewer Revenue Note	530,265	0	0	0	0
2011 Guaranteed Lease Revenue Obligation	5,064,594	4,777,019	0	0	0
2003 HUD Sec. 108 Loan	220,000	180,000	140,000	0	0
GTD, Lease Revenue Note, Series Of 2015	0	0	5,900,000	5,383,898	4,832,790
DCED Act 47 Loan	0	0	0	0	850,000
Total Outstanding Debt	**$10,099,859**	**$8,697,019**	**$9,215,000**	**$8,233,898**	**$8,187,790**

The City's estimated annual debt service for 2018 is $1,226,569. (See Table 2-19.)

Table 2-19
CITY OF HAZLETON
2018 Annual Debt Service

Description	Original Amount	Outstanding Amount	Matures	Estimated Annual Debt Service
General Obligation Bonds, Series 2005*	$7,710,000	$2,505,000	2025	$460,000
Guaranteed Lease Revenue Note, Series Of 2015	$5,900,000	$4,832,790	2025	$681,596
DCED Act 47 Loan	$850,000	$850,000	2028	$85,000
Total Outstanding Debt	$14,460,000	$8,187,790		$1,226,596

*Debt service varies from $455,533 to $462,790

Revenue

Revenues from the City's Debt Service Real Estate tax millage cover the Debt Service payments. For 2013 through 2017, a separate millage of 1.3 mills was levied by the City for debt services. In dollar terms, debt service real estate taxes decreased by $124,864 or 10.1 percent in the period. For 2017, real estate taxes totaled $1,111,177. The City increased its debt service mill rate to 1.37 for 2018.

Expenditures

Throughout the period the City's debt service included payments for the 2005 General Obligation Note principal and interest payments ranging from a high of $723,620 in 2013 and a low of $456,548 in 2016. 2017 payments for this note totaled $463,710. In addition, for the period 2013 thorough 2015, the City paid principal and interest for the Lease Revenue Note Series 2011 of $529,772. In 2016, this note was refinanced into the

2015 Lease Revenue Note. Principal and interest payments for this note are $681,596 annually.

Surplus (Deficit)

Excluding 2015 when major debt service transactions were included in City data, the City has exhibited a variable pattern of Debt Service Fund surplus/deficit. For 2014 and 2016, the Fund had surpluses of $57,132 and $17,715, respectively. However, in 2013, 2015 and 2017, the City had deficits of $17,332, $58,446 and $31,577. A continued pattern of deficits will require the Debt Service Fund be supplemented with Other Revenues. (See Table 2-20.)

Table 2-20
CITY OF HAZLETON
Debt Service Fund
2013 - 2017

	2013 Audit	2014 Audit	2015 Audit	2016 Audit	2017 Reported	Change 2013-2017 $	%
Revenues							
Real Estate Taxes	1,236,041	1,305,482	1,189,908	1,155,016	1,111,177	-124,864	-10.1
Interest Earnings	19	457	499	1,621	2,584	2,565	13,502.1
Miscellaneous	0	0	0	0	0	0	0.0
Issuance of Bonds	0	0	5,900,000	0	0	0	0.0
Inter-fund Transfers	0	0	0	0	0	0	0.0
Total Revenues	**1,236,060**	**1,305,939**	**7,090,407**	**1,156,637**	**1,113,762**	**-122,298**	**-9.9**
Expenditures							
General Government	0	0	1,357,501	0	0	0	0.0
Principal	650,897	832,703	866,851	841,102	876,666	225,769	34.7
Interest	602,495	416,104	382,002	297,820	268,672	-333,823	-55.4
Retirement of Bonds	0	0	4,542,499	0	0	0	0.0
Transfers	0	0	207	210	357	357	100.0
Total Expenditures	**1,253,392**	**1,248,807**	**7,149.853**	**1,139,922**	**1,145,338**	**-108,054**	**-8.6**
Surplus/(Deficit)	**-17,332**	**57,132**	**-58,446**	**17,715**	**-31,577**		
Fund Balance BOY	**121,136**	**103,804**	**160,936**	**102,490**	**120,205**		
Fund Balance EOY	**103,804**	**160,936**	**102,490**	**120,205**	**88,628**		

Recreation

In order to pay for recreation services and programs, the City maintains a separate special Recreation Fund. Resources to provide these services are generated from a separate Real Estate Tax millage as well as fees and contributions. The recreation real estate tax levy for this fund was 0.09 mills.

Revenue

- Real Estate Taxes and Penalties are the largest revenue source ranging from a high $85,572 in 2013 to a low of $76,663 in 2017. The lower revenue was related to a drop in assessment values.
- Interest Earnings are insignificant given both the minimal cash and investment balances as well as market rates of return.
- Charges for Services and Contributions have fluctuated over the period from a low of $2,220 in 2017 to a high $36,670 in 2013.

Expenditures

Expenditures are grouped together into personnel, non-personnel and transfer categories.

- Personnel expenditures have fluctuated throughout the period with a high in expense of $35,521 in 2013 decreasing to a low of $25,735 in 2015. For 2016 and 2017, expenditures increase to $31,191 and $35,288 respectively.
- Non-Employee expenditures have ranged from a high of $138,901 in 2014 to a low of approximately $29,210 in 2015. The 2017 non-personnel expenditures were approximately $62,971.
- Transfers out to the General Fund fluctuated from a high of $39,179 in 2015 to a low of $0 in 2013.

Surplus (Deficit) 2013-2017

Except for 2013, when there was a surplus of $28,167, the recreation fund has had a yearly deficit. The fund balance has decreased from a high of $129,822 at the end of 2013 to an estimated -$21 at the end of 2017. A continued pattern of deficits will require the Recreation Fund to be supplemented with Other Revenues or to reduce expenditures. (See Table 2-21.)

Table 2-21
CITY OF HAZLETON
Recreation Fund
2013 – 2017

	2013 Audit	2014 Audit	2015 Audit	2016 Audit	2017 Reported	Change 2013-2017 $	%
Revenues							
Real Estate Taxes	85,572	77,928	82,177	78,950	76,663	-8,909	-10.4
Interest Earnings	24	30	24	16	12	-12	-49.3
Charges for Services	36,670	12,430	6,360	17,152	2,220	-34,450	-93.9
Contributions	0	0	0	0	20,550	20,550	100.0
Miscellaneous	0	0	0	0	137	137	100.0
Total Revenues	**122,266**	**90,388**	**88,561**	**96,118**	**99,582**	**-22,684**	**-18.6**
Expenditures							
Employee	35,521	26,494	25,735	31,191	35,288	-233	-0.7
Non Employee	58,577	138,901	29,210	70,157	62,971	4,394	7.5
Transfers	0	33,998	39,179	5,948	5,421	5,421	100.0
Total Expenditures	**94,098**	**199,393**	**94,124**	**107,296**	**103,679**	**9,581**	**10.2**
Surplus/(Deficit)	**28,167**	**-109,005**	**-5,563**	**-11,178**	**-4,097**		
Fund Balance BOY	**101,655**	**129,822**	**20,817**	**15,254**	**4,076**		
Fund Balance EOY	**129,822**	**20,817**	**15,254**	**4,076**	**-21**		

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CHAPTER 3
DEPARTMENT OF ADMINISTRATION

Structure of the Department

According to the §4-11 of the 2002 Hazleton City Administrative Code, the Department of Administration:

> . . . under the direction of the Director of Administration, shall perform the fiscal and administrative service function for the City. The area of responsibility of this Department shall be:
>
> 1. Supervision of established standard personnel policies and practices;
> 2. Assistance to the Mayor in the preparation of the budget;
> 3. Administration of a centralized purchasing system for all departments of the City government;
> 4. Maintenance and supervision of the City tax program;
> 5. Expenditure report.
> a. responsibility for tabulation of all departmental reports, including but not limited to a monthly report to City Council containing the following information with regard to each expenditure of City funds other than wages paid to City employees:
> - The date of the expenditure;
> - The check number for each expenditure;
> - The payee to whom payment was made;
> - A description of the purpose of each expenditure, including the purchase order number, invoice number or similar designation;
> - the amount of each expenditure;
> - the budget line item from which each expenditure has been allocated; and
> - the balance of the line item remaining after the expenditure.
> 6. … Such other functions as by law or ordinance shall be assigned to this Department.

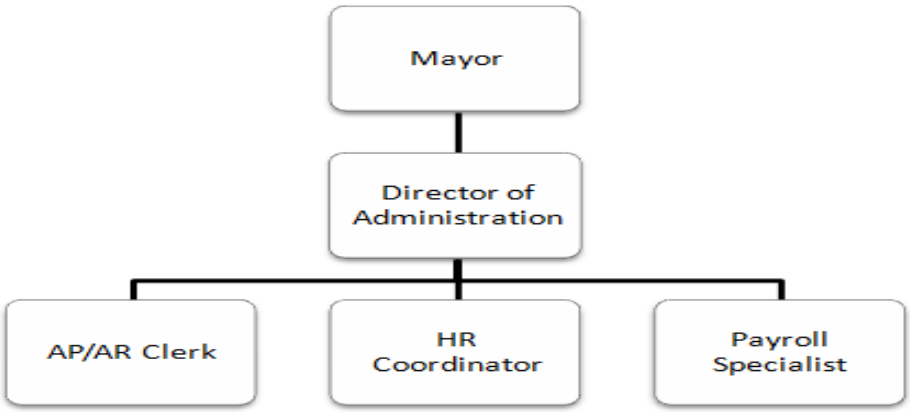
Staffing in the Department of Administration has been consistent in recent history with four positions: Director of Administration, Human Resources Coordinator, Accounts Receivable/Payable Clerk, and a Payroll Specialist. (See Table 3-1.)

Table 3-1
CITY OF HAZLETON
Department of Administration Headcount
2010-2018

Position	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Administrator	1	1	1	1	1	1	1	1	1
HR Coordinator	1	1	1	1	1	1	1	1	1
AR/AP Clerk	1	1	1	1	1	1	1	1	1
Payroll Specialist	1	1	1	1	1	1	1	1	1
Total	4	4	4	4	4	4	4	4	4

Along with the Third Class City Code, the City of Hazleton operates under 53 Pa. C.S. § 3031 (Optional Plan B) et seq., which requires a Department of Administration. Within the City of Hazleton government, the terms "Director of Administration" and "City Administrator" are used interchangeably. However, unlike a true City Administrator, the Director of Administration, in Hazleton and under Optional Plan B generally, functions only as the head of its own department while the City Mayor is responsible for the supervision of all City departments. Thus, a majority of the City's managerial staff, including the Department and Division heads, report directly to the Mayor. This practice continues under the current administration and has been the routine and regular practice since the voters of Hazleton elected to change the City's form of government to an Optional Plan B in 1985.

Department of Administration
Organizational Chart
2018



Accounting, Treasury, and Tax Program Functions

The Director of Administration and department staff are responsible for the City's accounting and treasury functions which includes maintenance of the general ledger, paying obligations due, depositing money into the City's bank accounts, preparing payroll and coordinating with outside auditors. These functions, while one of the most important currently held by the Department, have become almost its exclusive function.

The Department executes its accounting and other financial responsibilities through the operation of the City's financial software system, AccuFund. Use of AccuFund is not widespread in the City; approximately six staff members in Administration, Code Enforcement, and Licensing staff are daily, regular users of the software. Using AccuFund, staff maintain vendor data, process Accounts Payable invoices, maintain Accounts Receivable Customers and associated billings, process licenses and inspections, receipt of receivables and miscellaneous revenues, process payroll, disperse employee and vendor payments, reconcile the general ledger to bank statements, and maintain the City's capital asset schedule. Accufund uses a concurrent user licensing model; the City is currently licensed to allow eight concurrent users and one general access (read-only) user to log in at any time.

Other software used in the daily course of business with accounts receivable and/or receipting functions include VisualAlert, a software package which is used by the Parking and Police Departments for the issuance and payment of parking and police ordinance violations; and AvFuel Hub, a receipting software used at the Hazleton Regional Airport for jet fuel and high-octane gasoline purchases. The Department of Administration itself has no direct involvement in the day-to-day use of these software platforms beyond accepting the legal tender and system receipt reports from the operating department, recognizing the revenue in AccuFund, and depositing the cash and checks with the bank, as detailed further in our Assessments section. The City also takes online credit card transactions for parking violations, code violations and police ordinance violations through an nCourt LLC platform and business licenses, certificate of occupancy inspection fees, zoning applications and appeals, and other payment types through an eGov Strategies platform.

All taxes levied by the City are collected by Berkheimer and Associates through the City's participation in the Luzerne County Tax Collection Committee, while aged receivables, e.g. tax liens, are collected by the Luzerne County Tax Claim Bureau agent, Northeast Revenue Service, LLC.

Human Resources, Risk Management, Benefits and Pension Administration

The Human Resources (HR) functions of the City are handled by the currently-vacant HR Coordinator position. The duties of this position include processing of new and terminated employees, employee healthcare enrollment and benefits administration, and coordinating with outside accountants during annual audit preparation (e.g. gathering and tabulating data for compensated absences). One item not handled centrally is the maintenance of sick and vacation hour balances, which is currently decentralized and handled by employees and their respective department head. While the AccuFund system licensed by the City has the means to maintain time-off benefit accruals, the Department of Administration does not currently utilize this feature. Administration staff have suggested that there is a gap between AccuFund accrual capabilities and the realities of the many differing hour accrual rules within and between City collective bargaining agreements. Instead, the Department of Administration circulates a paper "Employee Data Calendar" at the beginning of each year with the yearly calendar on one side and a vacation/sick leave balance tracker grid on the other side. Employees are expected to keep record of their time under the supervision of their department head.

The HR Coordinator, who plays a key role in pension administration, routinely reviews pension calculations and provides data for individual pension benefits calculations, provides employee data to the City's actuaries for plan valuations, prepares state pension aid filings, calculates cost-of-living adjustments (COLAs) and provides medical data for actuarial postretirement medical valuations. Additionally, the HR Coordinator processes all retirement system pay disbursements, annual 1099-R forms, Affordable Care Act (ACA) reporting, and coordinates postretirement healthcare. Public Safety retirees are paid twice a month, with checks being issued on the 1st and 15th of each month. Non-public safety retirees receive checks once a month. Annual funding for the pension administration is paid to the General Fund from each pension system's administrative costs. These functions constitute a vast majority of the workday of the HR Coordinator.

Information Technology

Hazleton does not have any staff members dedicated to the Information Technology (IT) needs of City operations. A few technically savvy staff members outside of the Department of Administration help with menial IT needs, but the bulk of these services are handled by InnoTek, a third-party vendor that provides managed IT services, consulting, disaster recovery and other

related services in Pennsylvania. The City does not have a services contract with InnoTek at this time; the firm provides IT services mostly through an "on-call" arrangement, paid at an hourly rate.

InnoTek recently conducted a formal IT audit for the City, focusing on the areas of infrastructure, security, managed support services, and telecommunication. The audit identified needs that require immediate attention in all four areas of review. Deficiencies include server on-site and off-site back-up practices; Wide Area Network (WAN) redundancy; anti-virus protection; email encryption; server/workstation monitoring and help desk support; and telecommunication failover. Antivirus is not centrally administered, with different antivirus platforms and versions installed independently among the City's workstations.

The City has several separate software and hardware platforms. The main server for administrative and financial operations is located in an inner office of the HR/Payroll area at City Hall. The location is unsecured and lacks proper installation, with the server sitting on a desk and an entanglement of wires leading to the router. The area is not well maintained and lacks proper fire protection consideration. The server runs on Microsoft® Windows® Server 2012 platform and was purchased by the City primarily to run the AccuFund financial system several years ago at the recommendation of the software provider, with system backup performed in-house.

The Hazleton Police Department (HPD) maintains their records management system, Visual Alert, and scheduling/payroll program. The City has begun efforts to place mobile data terminals in all vehicles that would also operate the "Visual Alert" system in police vehicles. The police computer hardware is maintained in the old dispatch area within City Hall, with some protections with a rack, but not functioning as designed. In reviews with Police Department members indicated some frustration regarding design implementation and coordination with the Luzerne County 911 System.

The type of workstations deployed by Administration, Code Enforcement, and Police vary in age but are increasingly running on unsupported platforms. Furthermore, the saving of files on local machines is common due to the lack of shared drives and, therefore the locally stored files are not satisfactorily backed-up. Due to the lack of shared drives, it is common for employees to use flash drives to share documents too large to send via email, exacerbating security concerns noted above. Furthermore, the City's Active Directory system is not

configured fully and many computers outside of the Police Department lack adequate firewall and content filtering protections.

Insurance and Risk Management Review

The Department of Administration is responsible for the City's risk management and insurance programs. The City currently utilizes Eastern Insurance Group as its broker; this firm assists with the process of obtaining property and casualty insurance policies. Claims related to these policies are filed to the HR Coordinator and forwarded to the appropriate insurance carriers. All ongoing claims are maintained by the HR Coordinator.

The program includes ten different liability policies, which are purchased on an annual basis. The chart below shows the City's insurance policies; the insurance company providing coverage, the coverage limit, the City's retained liability and the annual premium. (See Table 3-2.)

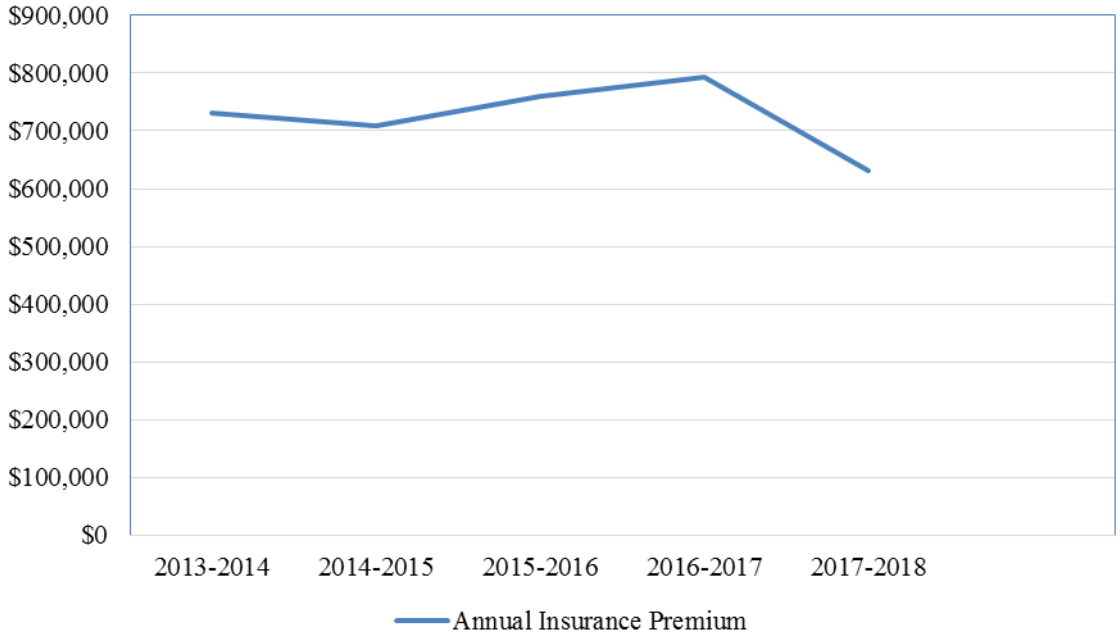
Table 3-2
CITY OF HAZLETON
Insurance in Effect
2017-2018

Line	Insurer	Limit	Retention	Premium
Automobile Liability	Travelers	$1,000,000	N/A	$50,818
Crime	Travelers	$100,000	$1,000	$673
Cyber Liability	Travelers	$25,000	$1,000	$601
Employment Practices	Travelers	$1,000,000	$25,000	$14,683
General Liability	Travelers	$1,000,000	N/A	$20,426
Inland Marine	Travelers	$3,514,228	$1,000	$13,278
Law Enforcement	Travelers	$1,000,000	$25,000	$42,423
Property	Travelers	$32,237,952	$5,000	$33,869
Public Officials	Travelers	$1,000,000	$25,000	$7,133
Umbrella	Travelers	$1,000,000	$10,000	$10,122
Workers' Compensation	AmTrust	Statutory	N/A	$435,989
Aggregate Annual Insurance Premium Expense				**$630,015**

In 2017, the City moved all of its policies, excluding Workers' Compensation, to Travelers. For at least five years prior to switching to Travelers, the City's insurance coverage was with the Housing and Redevelopment Insurance Exchange. As shown in the following graph

the City saw a steady increase in the cost of their insurance program over the last three years. The decision to market the program and move to Travelers has ultimately led to a substantial premium savings. (See Graph 3-1.)

Graph 3-1
CITY OF HAZLETON
Annual Insurance Premium
2013-2018



Overall, the City and its broker partner, Eastern Insurance Group, are managing the insurance and risk management program well. Below is an assessment that focuses on areas where the City should investigate its insurance coverage to improve the overall quality and cost of the program.

Automobile Liability

The City currently insures 104 vehicles on its policy with Travelers. The deductibles as they relate to third party liability and physical damage are well suited for the City. After reviewing a five-year loss history for the auto policy, there were 93 automobile claims resulting in $753,518.12 of incurred losses. The claims were split evenly between physical damage and liability. Given the number of losses and their cost, the Coordinator recommends that the City consider implementing a fleet management program. The program should focus on driver training, safety, and defensive driving. The investment in

these programs can significantly impact both the severity and frequency of losses thus reducing premium and creating a safe work environment.

General Liability

The City's current General Liability policy offers industry standard coverage and limits. Based on the limited number of claims, the Coordinator believes the General Liability program is appropriate protection for the City. Sexual Abuse and Molestation coverage is excluded from the City's General Liability policy. Due to the City's exposure, particularly with Parks and Recreation activities, we recommend the City investigate adding this coverage to their risk management program.

Inland Marine

The City currently insures 98 pieces of equipment on its Inland Marine policy with Travelers. The policy currently carries a $1,000 deductible. Based on the equipment list provided, the City is currently insuring 14 pieces of equipment that are valued at less than $1,000. It is recommended that the City remove these items from the equipment schedule, since the policy will not pay in the event of a loss. While this is not a substantial change, it will result in a premium decrease for the City.

Umbrella

The City's Umbrella policy provided by Travelers exists to provide protection in excess of the underlying casualty policies such as General Liability, Automobile Liability and Employer's Liability. The first two policies provide $1 million in coverage per occurrence. The City has an aggregate level of protection in regards to liability claims of $2 million. While the City is afforded governmental immunity, claims can still be made against the City. It is recommended that the City consider increasing their Umbrella policy to afford a minimum of $5 million in aggregate liability coverage.

Law Enforcement Liability

The current law enforcement liability has an exclusion relating to 'personal injury'. This would include the violation of civil rights. There are many instances when a violation of civil rights action is brought against a police department especially during a vehicle

pursuit. There is significant case law surrounding this issue that should be investigated further by the City to ensure appropriate insurance protection.

Public Officials Liability

It appears the current Public Officials policy does not provide coverage for non-monetary defense costs. Most standard public officials' policies provide this protection for injunctive relief or other zoning related matters. The City should investigate including this coverage.

Additional Policies Reviewed

The policies listed below falls within the industry standard; the Coordinator has no recommendations regarding these policies at the current time.

- Property
- Crime
- Cyber Liability

Employee Health Insurance

The vast majority of Hazleton's day-to-day employee benefits functions were handled by the Human Resources Coordinator, who left the City in early 2018 after many years of service. The most significant employee benefit functions are the administration of medical, pharmaceutical, workers compensation, and pension benefits. Although the position remains unfilled, the vast majority of the Human Resources Coordinator's functions have been, or are in the process of being, reassigned to vendor providers. The vendor that currently provides both the greatest amount and the greatest range of services is the ETA Benefits Group of Nesquehoning in Carbon County, Pennsylvania (ETA). ETA has serviced the City for over a decade, beginning with the dental plan, and began to service the health benefits function—both pharmaceutical and general medical benefits—approximately five years ago.

ETA's role and function is, primarily, to replace a staff position at the City that handles the more "on the ground" portion of employee benefits and other Human Resources functions. ETA handles the presentation of the policy renewal to the insured group, requests alternative plan designs and other renewal recommendations for the City,

coordinates the efforts of the insurance carrier and Pennsylvania Municipal Health Insurance Cooperative ("PMHIC"), manages communications among the plan administrator, Benecon, and members, and works with the insurance carrier to provide additional support to group administration and also member level support. On the employee relations side of the employee benefits services, ETA investigates and assists in resolution of billing issues, claims problems/other related issues, conducts monthly new employee benefit meetings, and coordinates semi-annual meetings with the carrier to present claims reporting and wellness initiatives.

The administration of the healthcare and pharmaceutical plan itself, however, is conducted by Benecon Benefit Administrators and Consultants of Lititz in Lancaster County, Pennsylvania. Benecon also provides plan actuarial services, general administrative services, and compliance with Commonwealth and federal regulation services. Benecon develops the annual rate renewal calculations, administers and negotiates reinsurance arrangements, and provides consolidated billing for all lines of coverage.

Finally, Hazleton's covered lives are part of a far larger pool of Pennsylvania municipal employees, PMHIC, which negotiates directly with the carriers Highmark, Capital BlueCross, and UnitedHealthcare. Highmark is the carrier for Hazleton's group in PMHIC; prior to its merger with Highmark, Blue Cross of Northeastern Pennsylvania had been the carrier for years before that.

In addition to providing healthcare services, ETA is currently operating under an "emergency" contract for pension administration services on a month-to-month basis, which were formerly handled by the now-vacant position of the HR Coordinator. The City has indicated it plans to issue a Request for Proposals to select a longer-term provider. ETA does not have significant experience in administering pension benefits. Similarly, the administration has discussed the prospect of having ETA perform the City's payroll management; ETA indicated that, were it to be assigned this function, it would necessarily need to sub-contract out as it does not have existing expertise in this field.

Prior to transitioning to PMHIC, Hazleton was fully insured. Now self-insured and with relatively inexpensive stop-loss coverage (both due to the size of the pool and the positive stop-loss claims experience of the City), the City has already taken one of the most

important steps towards healthcare savings. Similarly, the City's membership in PMHIC is itself also a significant positive, as the size of the general pool—with over 240 local units represented—and the administrative and negotiating experience with the carriers has benefited the City since it joined. Finally, ETA related that the carrier itself, Highmark, essentially functions as the pharmaceutical benefits manager and that pharmaceutical claims data do not indicate any major concerns, such as with a few routine outlier claimants or expensive compound drugs. In addition, there does not appear to be an issue with pharmaceutical rebate *capture*, whereby the value of the rebate is not passed through to plan subscribers and, instead, flows to one of the related vendors. In fact, some receive a prescription and drug rebate in the amount of $200.00, per the collective bargaining agreement with police officers and firefighters.

Year	Health Insurance Costs	Percent Change	Year	Health Insurance Costs	Est. Percentage Change
Actual 2012	$1,878,578				
Actual 2013	$2,512,147	34%	Estimated 2018	$ 2,815,242	
Actual 2014	$1,790,881	-29%	Projected 2019	$ 2,983,737	6%
Actual 2015	$1,844,518	3%	Projected 2020	$ 3,162,341	6%
Actual 2016	$2,312,878	25%	Projected 2021	$ 3,351,661	6%
Unaudited 2017	$2,659,631	15%	Projected 2022	$ 3,552,341	6%
2013-2017 Change	$ 781,053	42%	2018-2022 Change	$ 737,098	26%

The City's success in achieving administrative savings through its implementation of several best practices leads to the conclusion that the greatest opportunity for further savings may be achieved by changes to the City's plan design. Currently, there are six different plan designs: two HMOs, two PPOs, one traditional, and one supplemental Medicare plan. Upon the annual renewal, Benecon and ETA offer various suggestions for improvements to the plan design. In the most recent proposal provided to the Coordinator by ETA, five plan design changes proposed offer some savings (ranging from .2 to 2.7 percent) by implementing co-pay increases, introducing deductibles, and eliminating the traditional plan. However, far greater savings would be achieved, ranging from 9.2 to 10.5 percent were the AffordaBlue plan to be adopted. The significant savings from AffrodaBlue derive in part from instituting expanded copay and deductible programs but are mainly attributable to significantly incentivizing the use of a defined network. Any change, however, would require the approval of the affected collective bargaining units as it would need to offer "like" benefits to the current plan design; this is

likely the reason for the emphasis on administration reform, rather than plan design reform, over the years.

Although Highmark, Benecon, and ETA offer wellness programming and other elements of care coordination, ETA relates that, despite significant efforts, there is little uptake from City employees. For example, in the fall of 2017, ETA secured the Lehigh Valley Health Network to offer approximately 25 wellness and exercise classes to City employees and their families. The Lehigh Valley Health Network also offered a specialized class on good diet and eating habits to police officers. Given the low turnout, it is in unclear if the wellness program will continue.

ETA also explained that there is very little communication on benefits matters with the collective bargaining units and, as such, there is little knowledge of the benefits and programs offered to employees. For example, there is no up-to-date employee benefits handbook or clear instruction on an electronic patient portal.

From an employee perspective, their benefits are governed by four collective bargaining agreements: police officers (and superiors), firefighters (and superiors), public works personnel, and other represented personnel. Unique stipulations are as follows:

1. Police officers hired before January 1, 2012, pay $20.00 per month, annualized to $240, and police officers hired after January 1, 2012, pay $20.00 per pay period, annualized to $520, toward their health insurance. The current Collective Bargaining Agreement for the police extends through 12/31/18.
2. Firefighters contribute $260 per year toward their healthcare. Additionally, the firefighters currently have retiree health insurance for the retiree and spouse. The current Collective Bargaining Agreement for the firefighters extends through 12/31/21.
3. Public Works employees presently contribute seven percent (7%) to their health insurance increasing to 10% in 2020. The current Collective Bargaining Agreement for the Public Works employees extends through 12/31/21.
4. City Hall employees pay $20 per month towards their health care, annualized to $240. Employees hired after January 1, 2007, were entitled to receive an annual stipend, which was used to pay for health insurance benefits. The stipend was $350 per month for single-coverage and $650 per month toward dependent coverage. The maximum stipend was eliminated by City Resolution in 2015 – 60

on June 16, 2015, and replaced by an employee copay of $20.00/month. It is unclear why this provision of the contract was significantly changed in the middle of the contract, or what was the consideration for this change.

Retirees use Medicare as their primary insurance, but PMHIC covers the supplemental and, notably, the pharmaceutical portion of Medicare. Significant cost and liability reductions could be achieved through implementing a standard Medicare Advantage or Medigap plan. Medicare Advantage plans with Part-D would provide a comprehensive solution.

Workers' Compensation

Nearly 70 percent of the insurance premium dollars paid by the City ($435,989) are allocated to Workers' Compensation coverage. The City has currently placed the Workers' Compensation coverage with AmTrust. Due to the limitations of Act 46 (Firefighter Cancer Presumption Act), AmTrust is the only market available to cover all City employees and volunteers. Although this may be the only option for insuring the City's firefighters, the City should explore alternatives whereby placing the Workers' Compensation coverage with additional programs including perhaps a combination of a Municipal Trust and the State Fund. The purpose of exploring alternatives would be to see if there are any cost savings for the City and potential for future dividends.

The City's current Workers' Compensation limits are $100,000 bodily injury each accident/$500,000 disease policy limit/$100,000 disease each employee. These limits are the State's required minimums. The Coordinator recommends that the City explore increasing the policy limits to $500,000 bodily injury each accident/$500,000 disease policy limit/$500,000 disease each employee. When analyzing an increase to policy limits, the City should conduct a study of the incidence of claims exceeding existing limits, and the appropriate attachment point for the higher limits.

Additionally, for 2018 the City's experience modification factor will be a 1.428.[1] There are currently 1,143 municipalities with a Workers' Compensation experience modification factor within Pennsylvania. Based on the experience modification factor for 2018 the City will rank 1,085. The experience modification factor is the basis for which

[1] The experience modification factor is a numeric representation of an entities claims history and safety record as compared to other entities in the same industry, within the same state

increased rates are charged for Workers' Compensation insurance. For 2017 and based on the City's 2017 experience modification factor, the City paid an addition $147,000 in Workers' Compensation premium. This is a significant surcharge the City pays each year. Understanding why the City has had such an adverse Workers' Compensation experience should be a priority of the City. Once the City learns the answers to where and why Workers' Compensation claims are costing them so much money, they can begin to develop a strategy to address the problems and challenges. There are several ways of performing an assessment. The first would be to engage with the insurers and their third party administrators and to obtain loss data for the past 3-5 years. Identifying the departments with the highest incidence and severity will be useful information. In the alternative, the City can have an independent actuary analyze where incidence of high costs are apparent. It is possible that there are safety issues that can be addressed – if so this could have the dual benefit of both protecting employees and reducing the Workers' Compensation premiums paid by the City. The City should inquire as to what programs and offerings the City's carrier may have to assist with a safety audit and implementation of a safety program. Another approach, and one that could be undertaken simultaneously, is to work with the Commonwealth of Pennsylvania's Department of Labor and Industry, to see whether some of their self-insurance claim prevention offerings such as "PATHS – PA Training for Health and Safety – Accident Prevention Through Education" might be made available to the City. Finally, there are private companies, cooperatives and public institutions (e.g. Indiana University of Pennsylvania) that can help the City improve safety and accident prevention programs in an effort to reduce its experience modification and begin to reduce costs.

The City has also indicated Police and Fire departments are also subject to the 7 day waiting period for indemnity benefits when injured in the performance of their duties. The City should confirm they are following the appropriate procedures for payments under the PA Heart and Lung Act. This Act, which covers police and firefighters when injured in the line of duty, provides tax free indemnity benefits, from the initial date of injury. Both collective bargaining agreements for Police and Fire have language regarding the application of the Heart and Lung Act benefits. The City should ensure that the application of benefits and procedures are in accordance with the statute. (See also Chapter 8, Workforce and Collective Bargaining, page 8-13).

Broker Compensation

It is extremely important the City understands how much compensation or commission is paid for any vendor doing work with its insurance and risk management program. It is important to understand what services are being provided and what the expectations are other than placing the insurance policies. Many municipalities have asked their brokers to move to a fee arrangement versus commission paid by the carrier to evaluate the effectiveness of the partnership with the City. This may be an item the City can explore.

Department of Administration Assessment

The Coordinator's review of the Department of Administration suggests that the Department, as currently constructed, does not adequately meet the minimum mandates established within Optional Plan B of the Home Rule Charter and Optional Plans Law or the City of Hazleton's Administrative Code. Furthermore, our review calls into question whether the Optional Plan B form of municipal government adequately supports the needs of a community the size and complexity of Hazleton.

In practice, the work of the small Administration staff focuses on its core financial, human resource and payroll prerogatives. As of the date of this writing, the Director of Administration's work day is spent almost exclusively performing the City's accounting needs; the Director routinely enters manual journals, reviews daily transactions, reconciles subledger and general ledger balances, maintains vendor files, produces system reports for stakeholder consumption (such as line item budget reports for department heads weekly), and performs ad hoc analysis as the need arises. Despite the production of budgetary reports, the Director of Administration does not consult with the other City department heads to discuss department expense trends on a regular basis or for the preparation of upcoming budget proposals.

As mandated by its Administrative Code and the Optional Plan B form of government, the Director of Administration does not currently administer a centralized purchasing system and lacks any formal or informal financial controls. The purchase of goods, supplies, and services, as well as the solicitation of quotes, is decentralized and devolved to the department level with little to no oversight by the Department of Administration. Only the Department of Public Works has been observed to use a physical paper purchase order, a form filled out by DPW staff and approved by the DPW Foreman or Director. Larger capital purchases (equipment and vehicles), paving materials and capital construction bids are typically coordinated through the City's in-

house Engineering Technician and the City's contracted engineer (Barry Isett & Associates, Inc. or Alfred Benesch & Company, depending on the project). In our observation, it had been much more common for the Mayor to be involved in these purchase considerations while the Director of Administration was rarely involved. Additionally, the City's financial software, AccuFund, is not utilized in this decentralized process; as a result, the City does not encumber funds within their financial system when these informal purchase agreements are made. Thus, the City cannot know at any one time how much of a particular line item is already accounted for with upcoming purchase commitments.

Due to the lack of a centralized purchasing system, receiving an invoice is often the first notification to the Department of Administration that a purchase has been made. When invoices are received, the AP/AR Clerk will send a copy of the invoice to the operating department to review the invoice and approve its payment. Some departments will assign invoices to particular line items; others might just note the fund out of which to expense the purchase. Thus, it is common for the AP/AR Clerk to assign invoice expenditures to a particular line item. Furthermore, the turnaround of this process, from initial receipt of an invoice to entry into the financial system, can vary from several days to more than one month. This slow turnaround creates consistently understated expense figures in monthly reports promulgated to stakeholders (such as department heads, the City Mayor and City Council) as mandated by §4-11.A.5 of the City Code. These invoice practices also slow the City's ability to close a fiscal year while recognizing expenses in the proper fiscal year.

In addition, there is no certification of the receipt of goods (other than the department returning the invoice per the process above) and no matching of the invoice to an initial purchase order (except in the limited cases where a paper purchase order was drafted), commonly referred to as a three-way match. It is not possible to track goods under the City's current purchasing system, leading both to a limited ability to understand the City's inventory at a given time and additional staff time required on the part of the in-house Engineering Technician to track down capital asset additions and disposals for annual audits.

As noted earlier, fixed capital asset inventories are maintained within AccuFund. The primary function of the use of the AccuFund asset module is to produce financial capital asset figures for the annual audit. Capital assets purchased by the City are added to AccuFund by the City's Engineering Technician in the first few months of the subsequent fiscal year. Historically, the City's AccuFund project manager has reviewed these updates with the Engineering

Technician and the Director of Administration; once the list is confirmed, the AccuFund project manager would calculate the additions, disposals, and depreciation calculations for the City and its audit. In effect, the City is paying both for the software module and for the vendor to partially maintain the module on their behalf. Proper training on the process of recording new assets and depreciating the inventory would eliminate the latter. In addition, several vehicles on the capital asset listing are no longer owned by the City. This suggests that physical inventory of the City's capital assets is not being conducted on a regular basis.

Divisions with larger revenue streams, such as Parking and Code Enforcement, provide cash and checks received to the AP/AR clerk for review and bank deposit once a day. The Regional Airport and departments with smaller revenue streams provide the Department of Administration cash and checks once a week with transaction reports from the originating software system. As previously noted, the City also takes credit card transactions for parking violations, code violations, police ordinance violations, through nCourt LLC and business licenses, certificate of occupancy inspection fees, zoning applications and appeals, and other payment types through eGov Strategies. However, these online payment suites do not fully integrate with the AccuFund or Visual Alert software from which the receivable originated, requiring Code Enforcement or Parking staff to manually update the receivables as paid once the credit card transactions settle.

Currently, there is a lack of integration between the receipting performed in AccuFund by the Code Enforcement team and the credits and debits that recognize those transactions. The AP/AR Clerk receives detailed reports of receipt transactions by receipt, payment type, tender type, and revenue account daily with the checks and cash received by Code staff. The AP/AR Clerk then manually generates a journal in AccuFund to recognize the cash and credit transactions, waiting to recognize the credit card transactions until those monies settle through the City's merchant service provider.

The lack of integration noted above is partially due to the multiple databases on which AccuFund runs. The City was previously licensed to AccuFund's Standard Edition, which had limited level of detail in its user security apparatus when compared to AccuFund's Professional Edition. When additional departments were added to the system, the Department of Administration decided to segregate those users into a different database due to the limited ability to dictate user security in AccuFund's Standard Edition. In all, the City has at least one database for Finance/Payroll, Pension, Code Enforcement, and Community Development each.

This multiple database configuration is uncommon for a single municipality and presents unnecessary data "silos" and an unnecessary burden to the administration of a municipal financial system.

The IT infrastructure of the City is of great cause for concern to municipal operations and will require both immediate action and coordinating City resources to meet current and future technological and administrative needs of the municipality. While financial conditions may not allow the City to hire dedicated IT staff, some level of managed support should be attained through the City's procurement process. As noted in the Initiatives section *infra*, significant information technology investments are needed to improve system security and deliver services more efficiently.

These investments, along with many other Initiatives outlined in this Recovery Plan, will require a level of cross-department coordination that has been notably absent from City operations. Part of this lack of cooperation may be due to the Optional Plan B form of government under which the City operates. Under the Optional Plan B form of government, the Director of Administration is assigned with overseeing a centralized accounting system, a centralized procurement system and a centralized personnel system. The Director of Administration is also charged by the Hazleton City Code with supervising the administration of each annual City budget. While imposing all of these significant cross-department administrative responsibilities on the Director of Administration, curiously absent is the legal authority for the Director of Administration to implement these responsibilities. The Director of Administration is not empowered under Optional Plan B to oversee cross-department practices or to direct compliance from other City department heads. Under Optional Plan B the Director of Administration has equal supervisory line authority with other City department heads and, thus, is not authorized to supervise or direct other department heads. Under Optional Plan B only the Mayor is empowered to supervise and direct department heads. Thus, while the Director of Administration is charged under Optional Plan B with administering centralized City systems, Optional Plan B does not grant the Director of Administration the concomitant authority over department heads to properly implement these centralized systems. The Director of Administration cannot be expected to maintain adequate City accounting, personnel and purchasing controls and supervise the administration of the City's annual budget without the ability to oversee these activities in all City departments.

The City of Hazleton appears to have the appropriate insurance policies in place to provide protection for the City. Like any insurance program, all claims and situations are different, and this analysis does not imply the City has insurance coverage for all situations. The insurance carriers selected by the City, Travelers and AmTrust, have significant experience with public entities and their programs are designed to provide coverage for those exposures specifically related to municipalities. The Workers' Compensation program continues to be a large cost driver for the City. The City would benefit from allocating resources specifically to help reduce its experience modification. This would include partnering with experienced vendors or dedicating internal resources to safety, training and other items related to impacting the costs of a Workers' Compensation program.

ADSA Structure and Administration Initiatives

ADSA-1 Establish and Administer a Centralized Purchasing System.

The lack of a centralized purchasing system represents a great risk to the City's goal of building a stronger financial position. Implementing a purchasing system within the City's financial software suite will ensure proper oversight of City funds. The Director of Administration needs to become much involved the City's overall purchasing process by providing direction and oversight of the City's purchasing system. The Mayor's role in the City's purchasing process must be decreased. A purchasing policy should be established as follows:

1. A completed Requisition Form for materials and or services with costs must be prepared by department staff and approved by the department head.
2. The Requisition Form shall be forwarded to the Director of Administration to determine need and ensure proper authorization and compliance with required quote or bid process.
3. Requisition Form approval by Director of Administration to determine availability of funds and encumber funds in the appropriate budget. No line item may be overspent.
4. Issuance of Purchase Order by the Director of Administration to vendor for the materials or services ordered (with notice sent to

applicable City department). Nothing shall be ordered without providing the vendor a properly approved, valid City Purchase Order, executed by the Director of Administration.

5. Materials or services are delivered and an Order Receipt Certification is completed by the department head and forwarded to Director of Administration.
6. A completed Purchase Order is signed off by the Director of Administration and is forwarded to accounts payable for payment to vendor.
7. Encumbrance is removed and moved to expenditure at time of payment.

Alternative processes may be established in emergency situations where immediate need dictates materials or services. The Director of Administration would be notified immediately of cost and need.

ADSA-2 Enhance or Replace Financial Enterprise Resource Planning System.

Implementing a centralized purchasing system for all departments will require the City to enhance its current financial software package and train staff on its use. The City is currently licensed to the AccuFund Purchasing module; licensing to the Requisition module would need to be purchased to utilize the system's requisition approval process. Furthermore, additional access user licenses would need to be purchased to account for the added users.

The City does not fully utilize its existing financial software, and investments will need to be made into the existing platform. These investments will necessarily include additional system module licensing and on-site training from the City's AccuFund implementation consultant to develop the underutilized (or added) modules, to instill subject-matter expertise in the core users of said modules, and to provide end-user training (in the case of requisition processing) to new users.

The City's multiple database configurations is uncommon for a single municipality, especially one providing multiple municipal functions at the level of service the City is providing. The City should consider moving to a single database structure; the current multiple database structure requires daily transactions in one database to be summarized to the main finance database, limiting drill-down and other helpful research functions from the general ledger into applicable subledgers without crossing multiple AccuFund subsystems. The City should also explore the options of enhancing its use of the system's HR and Payroll functionality to include centralized timekeeping and/or time-off accrual calculations.

Given the level of enhancement and training required, the Department of Administration and the Mayor, in consultation with the Recovery Plan Coordinator, shall review the ability of Accufund to meet the City needs in the regular course of work and in implementing the Initiatives of this Recovery Plan. Solicitation of quotes and/or demos of other ERP systems specializing in public sector operations will allow the City to weigh the costs and benefits of enhancing AccuFund or transitioning to a different ERP solution.

The City, after adoption of this Recovery Plan and with the assistance of the Recovery Plan Coordinator, may consider applying for financial assistance grants in an amount to be determined to develop an appropriate ERP implementation strategy to enhance or replace the City's ERP solution.

ADSA-3 Develop and Enforce Financial and Personnel Policies.

It is a grave concern that it is common for the City to leave vendors unpaid for months ata time and operate under the procurement and payables processes outlined in the Assessment section above. In addition to enhancing its financial software to reduce these trends, the City should draft and enforce formal policies related to procurement, accounting controls, fund balance ("rainy day fund") and other financial areas to improve internal controls and financial performance. Where applicable, the City should leverage best practice policies authored by national organizations such as

the Government Finance Officers Association (GFOA) or the International City/County Management Association (ICMA). These associations and others like them offer best practice material and relevant case studies on their websites for free and more in depth material through association memberships and/or training opportunities, web-based or in person.

The Department of Administration should also enhance its supervision of personnel practices as required by City Code and Optional Plan B to enhance internal controls. Centralized maintenance and oversight of employee time-off accruals and balances fall under the purview of the Department but is currently decentralized. The Department should assess the abilities of its current financial system to maintain this data in conjunction with Initiative ADSA-2 from this Chapter. If the mechanics of the system do not easily allow for the administration of the City's multiple collectively bargained time-off benefit protocols, a standardized process of maintaining these balances in-house should be devised.

ADSA-4 Enhance the City's Information Technology Infrastructure and Managed Services Model.

The City has not adequately invested in Information Technology and this lack of investment has increasingly hampered the ability of the City to deliver internal and external services. The City, in coordination with its Recovery Plan Coordinator, should review the InnoTek IT Assessment and formulate a multi-staged Information Technology improvement plan. The City should seek managed IT services through the procurement process to facilitate the management of this plan and general on-going IT support services.

The City, after adoption of the recovery plan and with the assistance of the Recovery Plan Coordinator, shall apply for financial assistance grants in an amount to be determined to finance the critical Information Technology improvements required.

ADSA-5 Update Unified City Code Book.

The most recent unified Hazleton Code Book was dated in 2002. The City has adopted numerous ordinances since that date, many of which are posted on the City website. However, the entire body of current ordinance governing the City, organized by subject matter, is not currently available in a centralized, searchable database. This makes differentiating the functions actually performed by the City, and its staff, and those that are assigned in the City Code, difficult without a great deal of targeted research that is impractical on a systemic or structural scale. This leads to a misunderstanding of the legislated functions of City government and a movement towards functioning by convention alone.

Numerous companies provide codification services for local governments and a procurement process should be considered to select and retain one. Current City ordinances should be codified in their entirety and placed online. The codes may be updated annually or once new ordinances are approved by the governing body.

The City, after adoption of the recovery plan and with the assistance of the Recovery Plan Coordinator, may consider applying up to $20,000 in financial assistance grants for codification services.

ADSA-6 Examine Applicability of Outsourcing Services.

Fulfilling the obligations of the preceding Initiatives will necessarily add, or at least reallocate, the functions of an already small Department. As such, consideration should be given to the outsourcing of financial services currently provided by the Administration staff through bidding and competitive procurement, such as pension administration and healthcare retiree benefits. Retirement payment distribution should be once a month for police and fire personnel reducing costs and consistent throughout all retirement systems. Common practice across the Commonwealth is for these functions to be administered by third-parties.

ADSA-7 Initiate a Government Study Commission.

The Coordinator's assessment calls into question whether the Optional Plan B form of municipal government adequately supports the needs of a community the size and complexity of Hazleton. Optional Plan B mandates the establishment of a Department of Administration and assigns the Director's responsibilities but fails to provide the Director with sufficient authority to coordinate the implementation of those responsibilities. Hazleton City Council, in consultation with the Recovery Plan Coordinator and the Mayor, should consider passing an ordinance in accordance with Subchapter B of the Home Rule Charter and Optional Plans Law to initiate a government study commission to examine the City's current form of government and to compare it with other forms available under the laws of the Commonwealth.

ADEHI Employee Health Insurance Initiatives

ADEHI-1 Align Employee Cost Incentives - Copayments and Deductibles.

The limitations of the current schedule of copayments and deductibles eliminates many of the best incentives to control health care costs. Copayments and deductibles are common tools to create greater employee incentive to manage health care spending without negatively impacting health outcomes. As of now, the impact of rising health care premiums sector wide--largely outside of the control of any individual insured population--is felt by the City. While some gains have been made recently, they do not materially change the incentive structure for the broader employee population. As such and at a minimum, it is recommended that copayments and deductibles be adjusted across all plans according to the following schedule:

i. Deductibles
   1. $250 for individuals
   2. $500 for families

ii. Copayments
   1. $20 for general office visits
   2. $40 for specialists

ADEHI-2 Consider Adjustments to Employee Health Insurance Plan Design.

In general, the plan design for Hazleton is expensive and does not reflect many of the realignments in plan design that arose from changes in health care benefits delivery more broadly. Notably, many successful cost control measures, which rely on rationalizing the structure of the provider network, have not been employed by the current menu of plan designs. Adopting a more curated provider network and other associated reforms could generate significant savings. The "AffordaBlue" plan offers one such structure, though other plans from Highmark and other carrier offerings could be considered. AffordaBlue is a "tiered" plan design that maintains a subsidized rate schedule for certain hospitals. A common issue with tiered plans is a lack of optionality for subscribers, but Hazleton employees would have subsidized access to both the Lehigh Valley Health Network and St. Luke's.

ADEHI-3 Draft Employee Benefits Handbook.

The City's health care plans are complex and the offerings they present are not necessarily well understood by subscribers. Benefits handbooks are a relatively common way for employees to become better acquainted with their benefits and the added cost to produce such a handbook annually is marginal. ETA would be available to distribute and discuss the handbook, as well as continue to answer queries related to its contents.

ADEHI-4 Maintain Regular Contact with Collective Bargaining Units.

In addition to the employee handbook, other means of communication should be opened up with subscribers, and, in this instance, with their representatives at the union level. A great deal of information about health benefits and plan design is filtered through union representatives. Ensuring that they are adequately informed is one of the best ways to ensure that members are, too. Adequate information may also inure to the City's benefit during collective bargaining agreement negotiations — particularly if the represented members are well-informed too.

ADEHI-5 Encourage Competition Between Health Carriers.

Although the City has historically found coverage through one carrier, Highmark (formerly Horizon BlueCross of Northeastern Pennsylvania), PMHIC offers coverage with UnitedHealthcare as well. The City and ETA should consider a more competitive process to select the carrier, to the extent it is believed that competition may have a positive impact on premiums and general cost control.

ADWC Workers' Compensation Insurance Initiatives

ADWC-1 Explore Partners that Specialize in Public Entity Workers' Compensation Insurance.

The City has the potential to save a significant amount in claims and premium costs through appropriate management of its program. The City should explore alternatives whereby placing the Workers' Compensation coverage with additional programs including a possible combination of a Municipal Trust and the State Fund. The purpose of exploring alternatives should be to see if there are any cost savings for the City and potential for future dividends.

ADWC-2 Explore Increasing Workers' Compensation Policy Limits.

The City's current Workers' Compensation limits are $100,000 bodily injury each accident/$500,000 disease policy limit/$100,000 disease each employee. These limits are the State's required minimums. The Coordinator recommends that the City explore increasing the policy limits to $500,000 bodily injury each accident/$500,000 disease policy limit/$500,000 disease each employee. When analyzing an increase to policy limits, the City should conduct a study of the incidence of claims exceeding existing limits, and the appropriate attachment point for the higher limits.

ADWC-3 Reduce City's Worker's Compensation Experience Modification.

For 2018, the City's experience modification factor is 1.428. There are currently 1,143 municipalities with a Workers' Compensation experience

modification factor within Pennsylvania. Based on the experience modification factor for 2018 the City will rank 1,085. The experience modification factor is the basis for which increased rates are charged for Workers' Compensation insurance. The City should inquire as to what programs and offerings the City's insurance carrier, the Commonwealth, and/or other organizations or institutions may be able to assist the City with a safety audit and implementation of a safety program. This can prevent a costly surcharge and create a safe work environment that encourages all workers to be part of the safety solution.

ADWC-4 Review Application of Benefits and Procedures under PA Heart and Lung Act.

The Pennsylvania Heart and Lung Act provides that a police officer or fire fighter is temporarily incapacitated from performing his duties as a result of a work-related accident shall continue to receive "salary". The City should ensure that the application of benefits and procedures are in accordance with the Act

ADIRM Insurance and Risk Management Initiatives

ADIRM-1 Consider Implementing a Fleet Management Program.

The City currently insures 104 vehicles on its policy with Travelers. After reviewing a five-year loss history for the auto policy, there were 93 automobile claims resulting in $753,518.12 of incurred losses evenly split between physical damage and liability. Given the number of losses and their cost, the Coordinator recommends that the City consider implementing a fleet management program. The program should focus on driver training, safety, and defensive driving. The investment in these programs can significantly impact both the severity and frequency of losses thus reducing premium and creating a safe work environment.

ADIRM-2 Add Sexual Abuse and Molestation Coverage to General Liability Coverage.

Sexual Abuse and Molestation coverage is excluded from the City's General Liability policy. Due to the City's exposure, particularly with Parks and Recreation activities, we recommend the City investigate adding this coverage to their risk management program.

ADIRM-3 Review Insured Equipment on City's Inland Marine Policy.

It is the Coordinator's opinion that some City equipment is valued less than the $1,000 deductible. The Coordinator recommends that the City should review the equipment insured on its Inland Marine policy to potentially remove this equipment from its schedule and reduce its premium.

ADIRM-4 Review Increasing Umbrella Liability Coverage.

The City's Umbrella policy provided by Travelers exists to provide protection in excess of the underlying casualty policies such as General Liability, Automobile Liability and Employer's Liability. The first two policies provide $1 million in coverage per occurrence. The City has an aggregate level of protection in regards to liability claims of $2 million. While the City is afforded governmental immunity, claims can still be made against the City. It is recommended that the City consider increasing their Umbrella policy to afford a minimum of $5 million in aggregate liability coverage..

ADIRM-5 Review the "Personal Injury" Exclusion in the City's Law Enforcement Liability Policy.

The current law enforcement liability has an exclusion relating to "personal injury". This would include the violation of civil rights. There are many instances when a violation of civil rights action is brought against a police department especially during a vehicle pursuit. There is significant case law surrounding this issue that should be investigated further by the City to ensure appropriate insurance protection.

ADIRM-6 Review Public Officials Liability Policy.

It appears the current Public Officials policy does not provide coverage for non-monetary defense costs. Most standard public officials' policies provide this protection for injunctive relief or other zoning related matters. The City should investigate including this coverage.

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CHAPTER 4
POLICE DEPARTMENT

Introduction

Even with the best of conditions in place modern day policing is an enormous challenge. Much of what the police must deal with is the result of some tear in the fabric of one of society's safety nets. To compound the challenge, policing problems are often confounded by the reality that a city must pay for its safety just as it must pay for any public service, and the ability to pay doesn't always match the needs.

These constraints apply to the City of Hazleton. The demographic and social changes over the past decades have strained the capacity of the police Department to keep pace with the escalating need for services and safety of residents. The challenges in Hazleton will require a police Department that is able to handle all of the problems that attach themselves to urban environments which include crime, poverty, quality of life problems, blight, and the narcotics trade.

In various parts of the country improvements in policing strategy and tactics have led to dramatic reductions in crime and increases in quality of life. Many of these changes can be made in Hazleton to benefit everyone. The Coordinator has provided recommendations in three areas important to providing appropriate police service: Structure and Administration, Community Policing, and Training and Development.

Assessment

Historical Crime Data

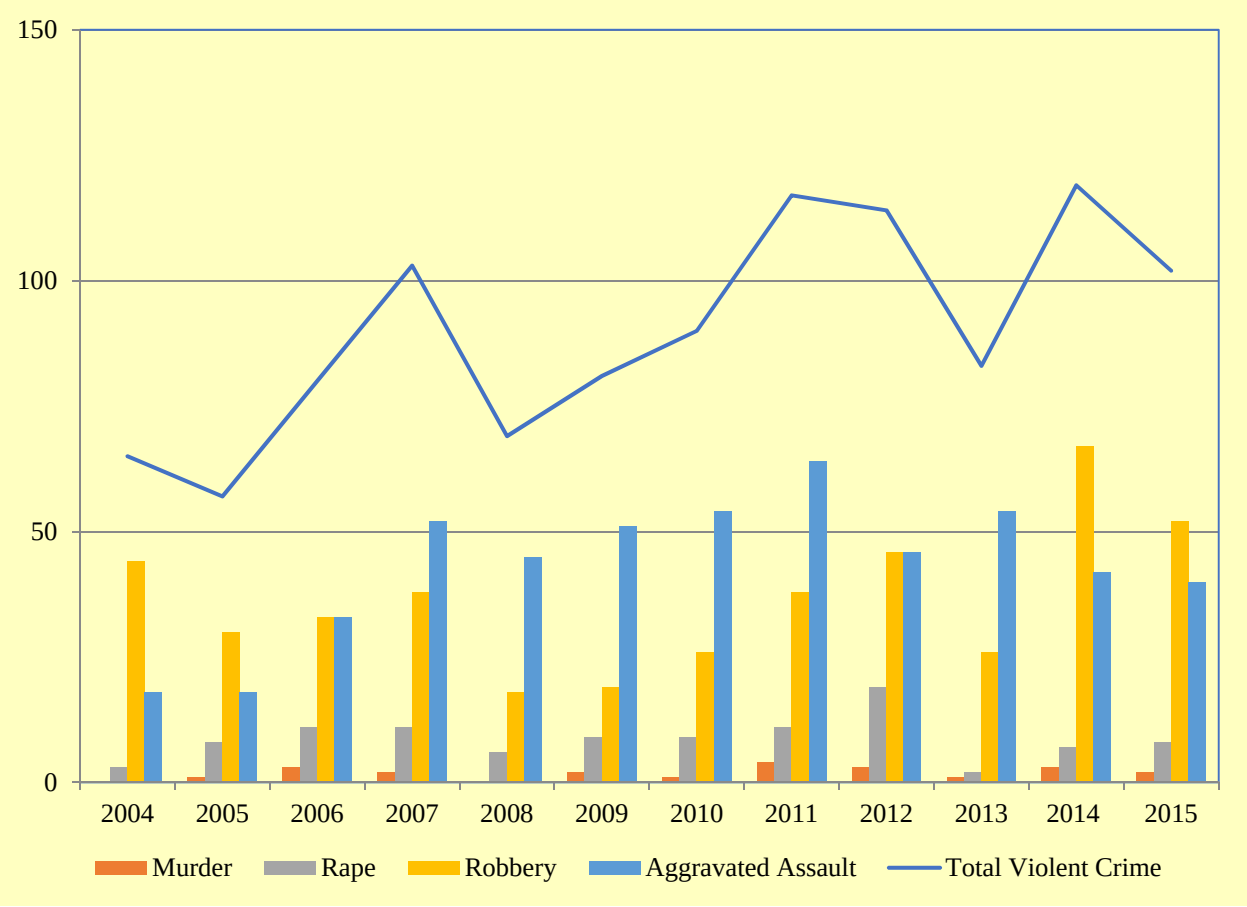
The historical crime data available for the City of Hazleton indicates that the amount of violent crime had increased steadily over the period from 2004 through 2015. The average of total violent crimes for the 2004-2015 period was 90. Through 2015, the City had equaled or surpassed that average in 2007, 2011, 2012, 2014, and 2015. Incidents of murder and robbery equaled or surpassed the average four of the six years for 2010-2015. Reported rape crimes were reduced since the high point in 2012 (19) but were close to the historical average in 2014 and 2015. (See Table 4-1 and Graph 4-1.)

Table 4-1
CITY OF HAZLETON
Violent Crime
2004 to 2015

Year	Months Reported	Population	Total Violent Crime	Murder	Rape	Robbery	Aggravated Assault
2004	12	22,566	**65**	0	3	44	18
2005	12	22,361	**57**	1	8	30	18
2006	11	22,145	**80**	3	11	33	33
2007	10	21,868	**103**	2	11	38	52
2008	12	21,788	**69**	0	6	18	45
2009	12	21,569	**81**	2	9	19	51
2010	12	25,340	**90**	1	9	26	54
2011	12	25,421	**117**	4	11	38	64
2012	12	25,358	**114**	3	19	46	46
2013	12	25,191	**83**	1	2	26	54
2014	12	25,023	**119**	3	7	67	42
2015	12	24,834	**104**	2	7	54	41
Average 2004- 2015			**90**	2	9	37	43

Source: Federal Bureau of Investigation Uniform Crime Reports

Graph 4-1
CITY OF HAZLETON
Violent Crime
2004 to 2015



Historical Comparable and Regional Crime Statistics

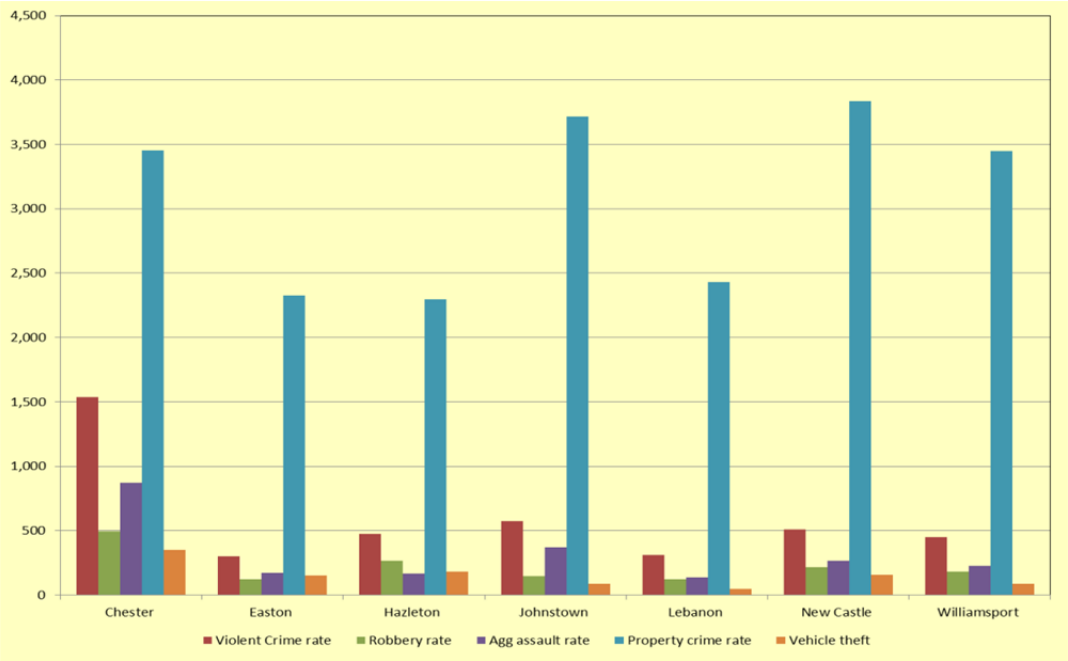
A review of the City's crime statistics per 100,000 population for the year 2014 compared with other similar sized municipalities indicates that its experience is similar to other cities in Pennsylvania. Total violent crime in the City (475.6/100,000) compares with New Castle and Williamsport; it is higher than Lebanon and Easton but is significantly lower than Chester (1,535.7/100,000). (See Table 4-2 and Graph 4-2.)

Table 4-2
CITY OF HAZLETON
Comparison City Crime per 100,000 Population
2014

Agency	Population	Violent Crime	Robbery	Aggravated Assault	Property	Vehicle Theft
Chester	34,056	1,535.7	496.2	869.2	3,453.1	349.4
Easton	27,143	298.4	121.6	169.5	2,328.4	151.1
Hazleton	**25,023**	**475.6**	**267.8**	**167.8**	**2,297.9**	**183.8**
Johnstown	21,755	574.6	147.1	372.3	3,714.1	87.3
Lebanon	25,538	309.3	121.4	137.1	2,431.7	47.0
New Castle	22,629	508.2	216.5	265.1	3,835.8	159.1
Williamsport	29,340	449.9	184.0	224.9	3,445.8	88.6

Source: Federal Bureau of Investigation Uniform Crime Report

Graph 4-2
CITY OF HAZLETON
Comparison City Crime per 100,000 Population
2014



A review of the City's crime statistics per 100,000 population for year 2014 compared with regional neighbor cities indicates that Allentown with a population of 118,710 and Wilkes-Barre (41,017) were similar in number of total violent crimes; the cities of Scranton (75,749) and Nanticoke (10,343) reported lower levels of total violent crime. (See Table 4-3.)

Table 4-3
CITY OF HAZLETON
Regional City Crime per 100,000 Population
2014

Agency	Population	Violent Crime	Robbery	Aggravated Assault	Property	Vehicle Theft
Allentown	118,710	514.7	7.6	55.6	262.8	188.7
Hazleton	**25,023**	**475.6**	**12**	**28**	**267.8**	**167.8**
Nanticoke	10,343	241.7	0	9.7	58	174
Scranton	75,749	285.2	5.3	27.7	104.3	147.9
Wilkes Barre	41,017	436.4	4.9	53.6	224.3	153.6

Source: Federal Bureau of Investigation Uniform Crime Report

Recent Crime Experience

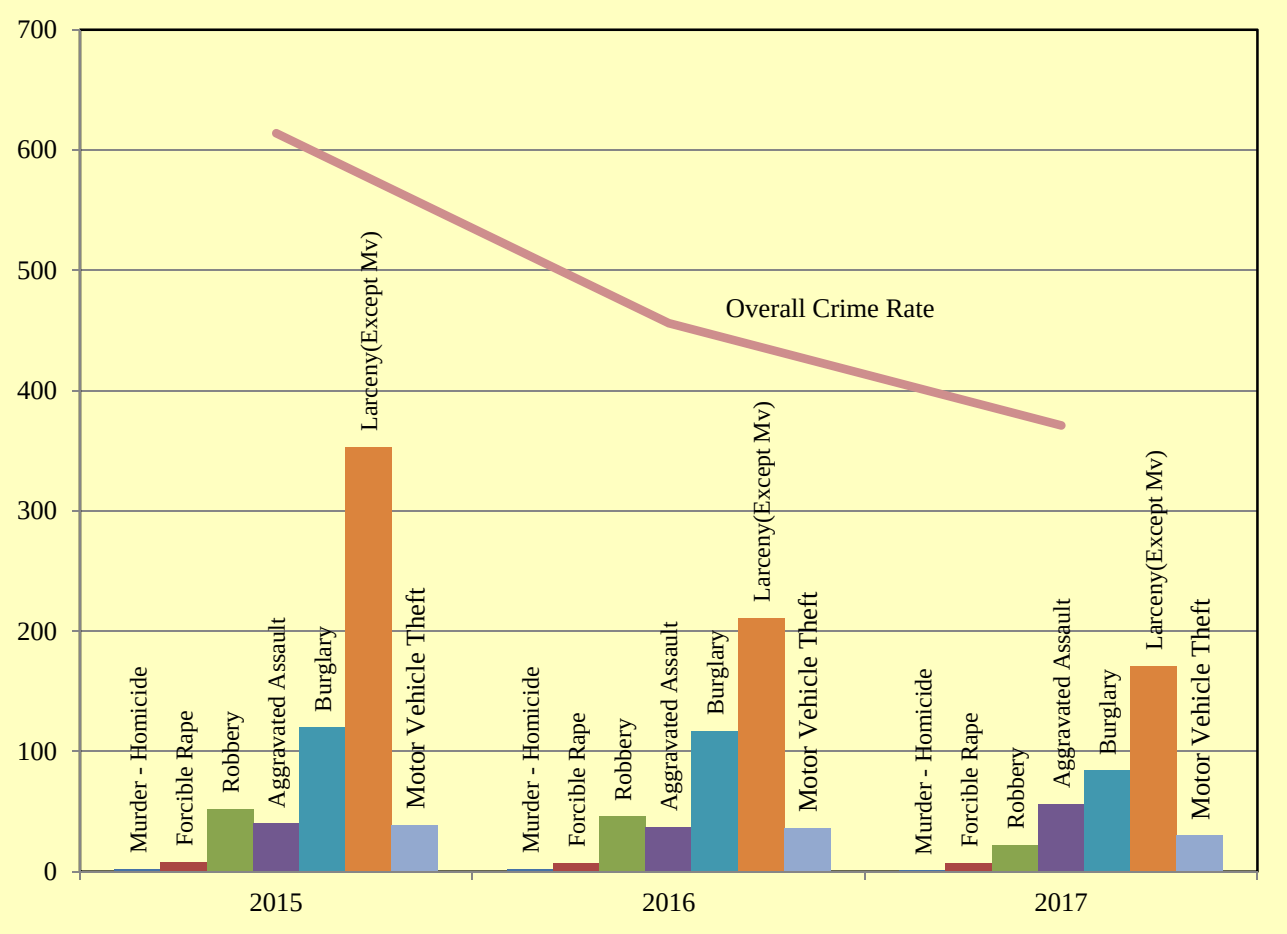
Based on City reported data for the years 2016 and 2017, there has been a marked reduction of 39.6 percent in the overall crime rate since 2015. All categories reported decreases over 2015 except aggravated assault. Reductions of fifty percent or greater since 2015 were recorded in murder (50.0 percent), robbery (57.7 percent), and larceny (51.6 percent). (See Table 4-4 and Graph 4-3.)

Table 4-4
CITY OF HAZLETON
Reported Crime
2015 to 2017

Category	2015	2016	2017	Percentage Change 2015 - 16	Percentage Change 2016 -17	Percentage Change 2015- 17
Murder - Homicide	2	2	1	0.0	**-50.0**	**-50.0**
Forcible Rape	8	7	7	**-12.5**	0.0	**-12.5**
Robbery	52	46	22	**-11.5**	**-52.2**	**-57.7**
Aggravated Assault	40	37	56	**-7.5**	51.4	40.0
Burglary	120	117	84	**-2.5**	**-28.2**	**-30.0**
Larceny (Except M.V.)	353	211	171	**-40.2**	**-19.0**	**-51.6**
Motor Vehicle Theft	39	36	30	**-7.7**	**-16.7**	**-23.1**
Overall Crime Rate	**614**	**456**	**371**	**-25.7**	**-18.6**	**-39.6**

Source: Hazleton City Police Department UCR Data

Graph 4-3
CITY OF HAZLETON
Reported Crime
2015 to 2017



Department Recognition

In June, 2017, the Department was given an award by the Pennsylvania Downtown Center for its Community Policing Initiative. The Department was nominated by Downtown Hazleton Alliance for Progress for the positive impacts the crime initiatives have made in the downtown and the overall reduction in crime. In June, 2018 the City will begin training of officers on crime reduction strategies, computer crime statistics, and group violence intervention strategies under a grant awarded through the Casino Gaming Local Share Account of the Commonwealth Financing Authority.

Department Structure and Overview

The Hazleton Police Department (Department) is responsible for the delivery of police services to the City's 24,954 (2016) residents. The Department is currently staffed with 45 men

and women. This includes 42 sworn officers, 2 city hall records persons and the Chief of Police. The Department's mission statement succinctly captures its aspirations:

> *The Hazleton Police Department is committed to provide the highest level of integrity, enforce and obey laws and serve the entire Community of Hazleton with honor…And above all else, to serve and protect.*

The staffing level of the Police Department has ranged from 42 to 46 total sworn staff members since 2008. The current Chief of Police believes that the number of police personnel available for handling calls for service is insufficient. However, increasing the number of police officers may not be feasible given the City's current financial constraints.

Police Department Historical Staffing

Department	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police	44	43	42	46	42	43	42	42	45	43	45

The Department is composed of the Patrol Division, the Narcotics Bureau, the Detective Bureau, and is led by the Chief of Police. The 1st Lieutenant position is responsible for department administration.

The Patrol Division is led by a lieutenant and is divided into three squads; A, B and C.

The Detective Bureau is composed of a lieutenant, two sergeants and one corporal. Personnel assigned as detectives investigate major crimes including homicides.

The Narcotics Bureau includes a lieutenant, a sergeant, two corporals, and a detective. Narcotic investigators are responsible for proactively investigating drug crimes.

The Department also includes one sergeant who is assigned to the Auto Theft Task Unit, as well as a corporal assigned to the DEA Task Force.

There are two full-time employees who are assigned to police records. Dispatching for the department is handled by the Luzerne County 911 Center. (See Table 4-5.)

The administrative ranks of the Police Department are top heavy. There are too many supervisors per frontline employee for efficient span of control of the Department. The number of supervisory positions should be evaluated for reduction without harming the way the Department performs its duties. Reducing the number of supervisors can increase the operational

capacity of the Department because fewer supervisors will translate to more cops out on the street.

Table 4-5
CITY OF HAZLETON
Police Department Staffing Budgeted Positions
2018

Rank	**Total**
Police Chief	1
Captain	0
Lieutenant	4
Sergeant	5
Corporal	4
Total Ranking Officers:	**14**
Detective	6
Evidence Office	1
Police Officer	22
Total Line Personnel:	**29**
Total Personnel:	**43**

Source: Hazleton City

Assessment of Department Structure and Administration

As noted earlier, the City has undergone a fairly dramatic demographic shift in its population over the past decade. Historically, the City once enjoyed a very low rate of crime, but like many urban environments in America, the situation has changed. Increases in rates of poverty and crime often correspond with a reduction in the resources needed to combat further declines. These resource restrictions make it difficult to maximize the financial resources available to ensure the City is able to meet the high service needs of the Department to function with maximum efficiency and effectiveness.

Coordinator team interviews with Department personnel were all very candid and open. The interviewers found everyone to be professional and accommodating. During the interviews, it was apparent that there are several organizational and administrative issues hindering the Department's performance. Many of the concerns expressed are related to a general sense that officers are not being treated fairly, which isn't uncommon in the field of policing. It is relatively common for a degree of discord to be experienced between management and labor, in particular when the demands of the job are high. Hazleton is no exception.

The Department has seen some positive changes since the new administration was put into place at the beginning of 2016. Interviews showed that a new leadership approach has led to reported increases in morale among some of the members. Some officers indicated a noticeable

sense of connection between the current Chief of Police and the rank-and-file members of the department.

Discussions with the leadership of the Fraternal Order of Police (FOP), the collective bargaining unit that covers all of the sworn members of the Department other than the chief of police, indicate some level of mistrust, unfair treatment, and political interference. While it is entirely appropriate for policing to be governed in a way that is consistent with the desires of elected officials, there is a fine line between an appropriate amount of oversight and an excessive degree of control being exerted by the City's elected leadership. FOP interviewees related concerns of a past tradition of excessive interference in the daily operations of the department. Reorienting the Department's focus from internal department affairs to clearly assessing the impact of its efforts on confronting crime in the City will readily start a rapid path toward much needed progress.

Like any profession, modern policing must remain firmly connected to the broader fabric of best practices developed across the country. Much of what works in policing has been laid out in various sources and can be adopted within the Department. Policing at its best is always informed by the best evidence-based practices available.

Recommendations

PDSA Structure and Administration Initiatives

The Department has made progress in the realm of leadership and management. Discussions with officers emphasized the past behaviors from prior supervisors who employed fear and political advantage for employee supervision and motivation. Those interviewed expressed an appreciation for changes since then. **Improvements in leadership and management have occurred.** However, further necessary changes needed to significantly improve performance will require a commitment from every member of the Department. Fortunately, there is no shortage of committed and dedicated police officers in the Department.

PDSA-1 Evaluate Combining the Detective Bureau with the Narcotics Bureau.

In the two units combined there are two lieutenants, three sergeants, three corporals, and a detective. The City shall consider combining the separate bureaus and working toward a structure of one lieutenant, two sergeants, and six detectives. This configuration would maximize the number of front line

employees available to handle the work. Over time through attrition it would also reduce the expense associated with higher ranking personnel.

PDSA-2 Assign Patrol Officers or Detectives to the DEA and Auto Theft Task Forces.

The two special assignments — auto theft task force and the DEA task force — are manned by ranking personnel. A corporal is assigned to the DEA task force and a sergeant is assigned to the Auto Theft task force. This staffing creates the situation of having supervisory personnel in positions with no one to supervise. The Department should consider assigning patrol officers or detectives to these roles. Both assignments should also be regularly reviewed in terms of the amount of work being produced that benefits the City. There is no ongoing assessment of the performance of these two task forces making it unclear what benefits to the City are provided by the task forces.

PDSA-3 Evaluate Eliminating the Position of Police Corporal.

Removing corporals from the rank structure may be done without adversely impacting organizational performance. The span of control of some of the corporals is too small for efficient supervision. Eventually eliminating the corporal position can reduce overall expenses and increase the number of personnel who are solely focused on delivering policing services to the community.

PDSA-4 Restructure the Relationship between the Police and Elected Officials.

The Chief of Police should design and produce a weekly or no less than monthly report that can be given regularly to the Mayor and City Council. The Police Chief reported to the Coordinator that the Luzerne County District Attorney's office prohibited the sharing of a prior daily report with Council and Mayor on the basis of confidentiality. A revised report that does not violate the confidentiality requirements of the County (if practical) should clearly list the relevant accomplishments, events, outcomes, and progress toward objectives and will provide information to elected officials to hold the Department accountable for the results that are expected by those officials. The Chief and the Mayor should

delineate clear outcomes for the Department that includes benchmarks, reporting intervals, and deadlines. This approach would provide the necessary degree of autonomy for Department daily management and facilitate the requirement for elected officials to be informed of Department matters and policies. The Chief needs the operational and administrative discretionary authority to run the Department in the way that he sees fit. If the Mayor and Council are not satisfied with the results then they should take the steps necessary to meet expectations. The City's traditional approach to management of the Department is not working to provide Department administrative discretion and proper evaluation. The Chief, Mayor, and Council must establish a working relationship that is appropriate to the City's Optional Plan form of government and conducive to achieving the results that each entity is committed to achieving. This can happen by agreeing to a vision and outcomes that correspond to it.

PDSA-5 Remove Lieutenant and Captain from the Bargaining Unit.

The City should attempt to remove the positions of lieutenant and captain from the bargaining unit. It's important that the Chief have the discretionary ability to appoint executive staff members who best fit the chief's strategy and approach to policing. However, these changes must be supported by other changes discussed herein that are designed to shift the Department's work culture to one in which competency and demonstrated ability to lead are the primary factors that determine transfers and promotions.

Consider a supervisory organizational structure as follows:

Chief of Police
Captain
Lieutenant: Detectives and Narcotics
Lieutenant: Patrol division
Lieutenant: Administration
Sergeant: Detectives
Sergeant: Narcotics
Sergeant: A platoon
Sergeant: B platoon

Sergeant: C platoon

Auto theft task force: patrol officer or detective

DEA task force: patrol officer or detective

This command structure would be more appropriate for an organization the size of the City's Police Department than what is currently in place. The span of control and responsibilities are manageable and would offer additional personnel dedicated to delivering policing services.

PDSA-6 Initiate Weekly Meetings between Labor and Management.

Interviews indicated a lack of good will between the FOP representatives and the administration. The origins of the labor and management problems are less clear than the current need for a change in the relationship between labor and management. Many of the problems involving members of the FOP and the administration are based on the inevitable misunderstandings that reliably flow out of poor communication practices. Beginning with a short weekly meeting, and possibly less frequently when the situation improves, will build better working relationships by reducing the level of discord and miscommunication. Attendees at this meeting should include the Chief or his appointed representative, the head of the FOP unit or his appointed representative and the Mayor or his representative. The weekly meeting should be supported with a written agenda prepared alternately by the Chief of Police and by the FOP unit representative. The agenda should describe the outline of the current week's discussion. There should be equal time given for discussion of off agenda items and topics that may concern one side but may not be readily apparent to the other.

PDSA-7 Conduct Weekly Staff Meetings.

In general, the Department is suffering from poor internal communication. There are no mechanisms in place that will allow for the transfer of important information and intelligence across shifts, units, tours of duty, or even across the hallway. Policing isn't immune from developing a culture that is overly dependent on meetings, but that is far from the case in the City. It was reported to the Coordinator that Department communications include staff meetings, written

directives, and both written and verbal communications between shifts. The Department's leadership team should meet weekly to discuss current priorities, departmental updates, performance, intelligence updates, and anything else that would help to ensure that the Department is operating effectively. The impact of not having these meetings in the past is evident. Staff meetings should be supported by a written agenda and follow-ups should be tracked and discussed from one meeting to the next.

PDSA-8 Hold Daily Roll Calls.

Policing is much too complex and dynamic to expect frontline personnel to be able to organize themselves and their work without a coordinating mechanism like the daily roll call; a traditional daily event in most police departments. Daily roll calls are the perfect opportunity to ensure that the day's work is appropriately focused on the most important problems in the community. Roll calls also give the leadership team the opportunity to give feedback, provide training, administrative updates, as well as engage in activities to build morale and discipline.

PDSA-9 Continue and Expand the Written Policing Strategy.

Only a written strategy has any chance of reliably impacting the way officers do their jobs. Without a clear set of guidelines in place the Department will run based on tradition and individual habits. The written strategy should include a vision, strategic objectives, and a description of the preferred police tactics to employ and how to employ them. Committing the strategy to writing will create the foundation upon which growth and learning can occur. The strategy can also be used as a way to reshape the culture of the Department around the behaviors that align with best practices and the Department's goals.

PDSA-10 Adopt Legitimacy and Procedural Justice as Fundamental Values of the Policing Strategy.

In a diverse environment that is struggling with crime and quality of life problems there is no more important quality than police legitimacy. Many of the ailments in

modern-day policing can be traced back to the sense that the police are not a legitimate presence in the community. Legitimacy is the belief that the police have the right to dictate behaviors as well as enforce the law. It is a powerful driver of compliance with the law and cooperation with the police. Legitimacy reflects three related issues, trust and confidence in the justice system, the willingness to defer to legal authority, and the belief that the actions of legal authorities are morally correct and appropriate.

The Department has provided procedural justice training for its members along with a Department of Justice National Institute of Justice language access plan. Procedural justice is an assessment of the process that police are using while exercising their authority. This assessment attempts to answer the question that members of the public frequently have in their minds when they are interacting with the police: 'Am I being treated fairly?' Procedural justice encompasses four related factors:

1. Giving the public meaningful opportunities to participate in the decision making surrounding their encounter.
2. Behaving in a way that is perceived by the public to be fair and neutral.
3. Treating the public with dignity and respect.
4. Behaving in a way that leads to the sense that police are in fact worthy of the public trust.

The Department should include language about legitimacy and procedural justice in the written police strategy and lay out the steps to achieving both. It is essential that a procedurally just approach to policing be reinforced by a procedurally just approach to leading and managing the officer corps. In other words, procedural justice must be exercised both inside the Department among officers and in the community when dealing with members of the public.

PDSA-11 Expand the Employment of a CompStat[1] Approach.

Modern policing requires a data-driven mechanism to ensure that goals are being met and that the most important problems are being dealt with quickly. Ensuring that an organization is functioning with maximum efficiency can be achieved

[1] Abbreviation for COMpare STATistics which was the computer file name of the original program.

under a CompStat leadership approach. CompStat is based on four operational principles:

1. Accurate and timely intelligence,
2. Rapid response and deployment,
3. Effective tactics, and
4. Relentless follow up and assessment.

Employing Compstat requires clearly articulating the Department's purpose, developing specific performance targets, and identifying deficits impeding progress toward goals. The Department reports its use of data reporting to allow the tracking of incidents by location, date and time. Mapping of incidents, the types of incidents and trend information are available on crimereports.com.

PDSA-12 Hold a Bi-Weekly CompStat Meeting.

To those unfamiliar with the progress made in policing over the past 20 years, CompStat may seem like a more advanced management practice that is only appropriate in large urban environments. This is not the case. CompStat is a data-driven leadership practice that simply creates the possibility that crime reduction and increases in quality of life can occur. As it currently stands, the Department is not positioned in a way that allows it to focus on the daily environment of Hazleton. In other words, without a mechanism that drives conversations about crime, the natural focus will be on the things that occur within the organization. This has proven to be detrimental to the culture of policing in general and the City has not escaped this pitfall. Much of the reported discord within the Department is due to an inability to orient discussions toward crime. CompStat will serve as the space in which the Department begins to prioritize objective conditions in the city. Drug dealers, domestic abusers, abandoned houses that are being used by heroin addicts, and rowdy teenagers are all complex problems that will not, on their own, resolve themselves. CompStat is the place where the leadership team can capture the collective wisdom contained within the room that is needed to solve these types of enduring concerns. The four principles of CompStat are meant to capture an extensive range of strategies, tactics and behaviors and should

not be taken lightly. Nevertheless, any steps taken to embrace the principles fundamental to police operations will be worthwhile.

PDSA-13 Develop, Maintain and Report Crime and Quality of Life Statistics.

Information on Part 1 and Part 2 crimes should be routinely disseminated throughout the Department and made available to the public on the City's Web site. The Department's use of crimereports.com provides the basis for this reporting and dissemination. This data, along with other performance metrics, can be used to demonstrate performance and learn what is working.

PDSA-14 Perform Crime Analysis.

Short of generating monthly Uniform Crime Reports (UCRs), the Department doesn't have the in-house capacity to analyze crime. The Department should have a member of the Department trained as a crime analyst. In modern policing strategies, the ability to analyze crime is essential. Without a clear understanding of where crime is concentrated, officers are forced to reactively address whatever comes their way. This is not only ineffective, it is dangerous. Developing the capacity to analyze crime is one of the most important steps that can be taken to improve performance.

PDSA-15 Identify Impact Players.

Impact players are the five percent of the criminal population that are driving most of the violence in the City. They are the actors who police find are repeatedly willing to engage in lethal violence. Identifying the City's impact players and developing a plan to control their behavior is one of the keys to reducing crime and increasing safety in urban environments.

PDSA-16 Continue and Expand Hotspot and Geographic Based Policing.

The Department currently identifies local crime hotspots and has geographic based information available for analysis. When the police focus on a small geographic area that is experiencing a disproportionate amount of crime and disorder they can make great strides in making those areas better places to live

and work. For example, pockets of poverty and deprivation tend to produce the types of behaviors that can harm the vast majority of residents that wish to live peaceful lives. It falls to the police to identify those neighborhoods in need and focus their time and attention in a way that creates the conditions for safety and security. Once hotspots are identified a department can move forward with crafting the various problem-solving initiatives to improve conditions. Hazleton is a small city with complex social issues driving crime and quality of life problems. One of the most stable aspects of crime is always location. Criminals come and go but concentrated pockets of crime tend to sustain themselves.

PDSA-17 Focus on Problem Solving.

The Department must shift from an incident driven police department to a problem-solving agency focused on proactively addressing risk. Responding to burglaries and thefts and fights is a part of what the police will always have to do. These types of calls for service are examples of incidents that are indicative of some underlying problem that needs to be solved. Very often it is the one-way street with poor lighting that is combined with a corner bar that makes Saturday nights an unbearable time for many residents. Responding to each incident that is generated by these types of problems will leave the proximate cause of disorder to go unabated. Employing a policing strategy that seeks to uncover the conditions that are driving a significant number of crime and quality of life problems works well. A poorly managed stop-and-go beer distributor can entice an enterprising robber or burglar to act. Quality of life crimes that concentrate themselves at certain times of day, days of the week, and locations can also benefit from a focus on problems. Responding to incidents rather than problems tends to lead to a one-off response. A typical response to an after-school fight by an incident-driven police department would be to respond quickly, watch the unruly teens run away, and possibly complete a report detailing the officer's observations, or lack thereof. This same incident would be handled much differently by a department that is organized around solving problems. A problem-solving approach would involve scanning reports and other sources of information for the underlying dynamics driving this behavior, analyzing the data to learn what precisely is

happening, developing a clear operational response, and then assessing the design and implementation of the response to maximize performance in the future. The Department must systematically deal with problems that are important to both the police and the community. The Department has begun the process to problem solving policing through crime watch, community group involvement, public engagement and collaboration

PDSA-18 Pursue a Partnership with Consultants that Specialize in Urban Policing.

Policing is not one-size-fits-all. What will work in a rural or suburban environment won't necessarily work in a densely populated city. The City's relatively newfound ethnic and racial diversity demands a change in policing philosophy. The policing problems common to urban America have been studied extensively. It is known what works and what doesn't work. An approach to policing that is informed by the best-practices from the social sciences is essential. The Department can be coached along the path of policing mastery by someone familiar with the art and science of urban policing. The Coordinator team was extremely pleased to see that the Chief of Police has an impressive grasp and understanding of what modern policing must consist of. With the support of 'coaches' who can help to guide the thinking and practices of the Department, profound progress can be realized without an expensive and unnecessary overhaul of personnel. The main benefit of this third-party review mechanism is that it offers a voice that is disconnected from local and organizational influences in a way that should prove to be a valuable resource to both the Chief and the members of the rank and file. In June, 2018 the City will begin training of officers on crime reduction strategies, computer crime statistics, and group violence intervention strategies under a grant awarded through the Casino Gaming Local Share Account of the Commonwealth Financing Authority.

PDSA-19 Develop and Utilize Performance Metrics.

Establishing a sense of mission in policing shouldn't be taken for granted. A sense of mission must be cultivated and nurtured by Department leaders on a nearly constant basis. Talking about successful outcomes by telling and re-telling

success stories is an essential part of that process. But stories alone do not lend themselves to management or measurement. In order to generate the right kind of outcomes, the Department should develop and use performance metrics. As of the date of this report, it does not appear that the Department has been unable to effectively collect or utilize performance data of any type. Until the recent hiring of additional officers, the Department has been understaffed and the limited staff available has not allowed full utilization of performance metrics as a Department priority. Without performance measures the possibility of accountability doesn't exist. The Department must have a way to measure the distance between current performance and the expectations of stakeholders. However, it is important that a quest for a perfect set of metrics does not lead to a paralysis of action. The objective is to determine a few important behaviors that align with organizational objectives and start counting them. This data should be shared broadly on the Department's web site as well as up and down the chain-of-command of the Department. Possible performance metrics can include but are not limited to:

Calls for service by type and frequency
Repeat contacts
Felony, misdemeanor, and summary arrests
Violent crimes
Property crimes
Business checks
Walking beats
Community policing activity
Drug complaints
Community events held
Traffic stops
Field interrogations
Narcotics seizures

PDCP Community Policing

PDCP-1 Develop and Institute a Plan for Community Policing.

The basic premise of community policing is that the police and the community work to co-produce safety and increases in quality of life. Community policing is considered a fundamental facet of modern policing. Any effort to improve the functioning of a police Department must start with a comprehensive community policing strategy that has a broad range of activities, programs, and projects that are designed to fulfill the needs of citizens. However, it isn't enough to have

community events in which officers have the opportunity to engage with citizens in a manner that is positive and that builds strong ties. The Department should create a clear plan that involves projects, milestones, and action steps that lead to a Department-wide effort to fulfilling the spirit of community policing. Best practice in developing a community policing strategy involves ensuring that everyone in the Department understands what it means to be a community policing agency. Everyone employed by the Department has to embrace the notion that the police are engaged in a mission of serving the public in a fair and impartial way.

PDCP-2 Understand and Avoid Implicit Bias.

Bias is a natural human phenomenon involving the way that the brain functions. Implicit bias is the unconscious association between a group and a particular behavior or characteristic. To have a bias is to be human. To exercise a bias in a law enforcement setting can be tragic. Understanding the concept of implicit bias, avoiding the negative implications of having them, and structuring operations in a way to ensure everyone is treated fairly is essential to avoiding implicit biases.

PDCP-3 Increase the Diversity of the Police Department.

The Department must also work to reflect the demographics of the residents that they serve. Increasing the diversity of the Department will go a long way toward increasing the amount of cooperation received from the community and the City should consider taking the following steps to enhance diversity:

1. Consider making Act 120 requirement optional for applicants. One of the few approaches for enhancing diversity around the country has been to remove the requirement that an applicant have already completed the police academy prior to being hired. The Act 120 training expense prior to employment may be cost prohibitive for many potential candidates. Removing this requirement will help to make policing more attractive to historically underrepresented groups.
2. Form a police diversity committee. Putting together a committee of professionals whose mission is to enhance diversity is a great step toward achieving it.

PDTD Training and Development

Policing is constantly changing, emotionally and sometimes physically intense, and difficult to do well. Training is essential. Interviews showed that a limited number of police officers have attended training courses beyond the annual mandatory in-service training required of all officers in Pennsylvania. Our interviews also revealed that officers were unfamiliar with the basics of urban policing. For example, officers were unfamiliar with subjects such as legitimacy, procedural justice, directed patrols, focused deterrence, and hotspot policing. There are various one-page training bulletins available for free or low cost online. Having a clear understanding of urban policing will enhance performance as well as improve officer safety.

PDTD-1 Continue to Provide Leadership Training.

Leadership of a police environment is a complex activity and the City should not expect that much of what is discussed in this assessment can be accomplished without continuing education and training for the Department's leadership team. Penn State Justice and Safety Institute has a number of leadership training programs available including:

1. POLEX
2. POSIT
3. High Impact Supervision
4. Leadership and Command

CHAPTER 5
FIRE DEPARTMENT

The City of Hazleton Fire Department (Fire Department) provides emergency response to fires and other hazardous conditions within the City of Hazleton (City) and with mutual aid partners in surrounding communities. The Fire Department is the designated Emergency Management Agency for the City. The Fire Department's Mission Statement is as follows:

> The mission of the Fire Department is to provide effective response to situations that threaten the safety and health of our citizens due to fire, hazardous conditions, environmental emergencies, and similar events. Our proactive role is to prevent fires and injuries through educational programs and the administrations of applicable codes. The circumstances are often dangerous and unpredictable. The responsibility is awesome. Every day, the members of the Fire Department, a cohesive team of highly committed and dedicated Career and Volunteer personnel work to ensure the safety of our citizens.

Primary emergency medical services, including transport services, for medical emergencies within the City are supplied by a private, third party provider, American Patient Transport Systems, Inc. (APTS).

The Fire Department operates four engine/pumpers and two ladder/towers from three City fire stations (14th Ward, Diamond and South Side). From these stations, the Fire Department operates four engine companies, one rescue company, and two ladder/tower companies. The Fire Department is staffed by 21 career firefighters who are members of the International Association of Fire Fighters, (IAFF). In addition to firefighting skills, the City's firefighters drive the City's fire equipment to an emergency call. They are supported by a complement of 94 volunteers of which 23 are trained and qualified for interior structural firefighting.

The Fire Departments primary operational areas are:

1. <u>Fire Suppression</u> encompassing the Fire Department's response to all emergency and non-emergency calls for service, including fires, tactical rescue and hazardous materials response.

2. Fire Safety Education involving the planning and execution of fire safety and burn education for residents and businesses, including schools and daycare centers, within the City.
3. Fire Inspection involves the enforcement of the City's Fire Prevention Code. The Code Enforcement staff, which provides residential and commercial rental inspections, currently report to the Fire Chief. Fire inspections are done by one Code Enforcement staff member that coordinates with the Fire Department frequently. Due to their experience, firefighters are often the first line in identifying potential violations during calls.
4. Fire Training responsibility for drafting and implementing the Fire Department's annual comprehensive training plan.

In addition to the primary operational areas listed above, the Fire Department works with Luzerne County and neighboring municipalities in responding to large-scale emergency incidents and hazardous material responses, as well as the development and execution of training events. The Fire Department's calls for service are dispatched by Luzerne County 911.

Administration

The Fire Department has three chief officers (Fire Chief and two Deputy Chiefs) who work a schedule of two 24 hour days on duty and four 24 hour days off duty. This cycle averages a 56 hour work week or 2,820 total annual hours per chief. After adjusting for annual leave taken, each of the three Chiefs is on duty approximately 2,364 hours annually, resulting in a staffing factor of 3.73. As a result of understaffing, the three incumbent chief officers frequently work extra shifts to cover one another's time out of the office. This continuous need for leave coverage has resulted in significant under-usage of accrued leave time by all three incumbents as well as increased overtime expenses for the City.

Staffing and Equipment

The Fire Department has a minimum staffing level of 3 firefighters on shift at all times with two engines and one ladder staffed, plus the duty chief. The Fire Department is staffed as follows:

Southside Station:	**Diamond Station:**	**14th Ward Fire Station:**
Depending on Group working: One Firefighter Rescue 3, One Firefighter Pipeline 4 One Firefighter Ladder 1	One Firefighter Engine 2	One Firefighter Engine 5

If there are no vacancies due to vacation or sick time, depending on the group, other engine companies are staffed when possible.

Southside Station Group 1	**Southside Station Group 2**	**Southside Station Group 3**	**Southside Station Group 4**
Ladder 1	Ladder 1	Ladder 1	Ladder 1
Rescue 3	Rescue 3	Rescue 3	Rescue 3
	Engine 4	Engine 4	Engine 4
Diamond Station	***Diamond Station***	***Diamond Station***	***Diamond Station***
Engine 2	Engine 2	Engine 2	Engine 2
14th Ward Station	***14th Ward Station***	***14th Ward Station***	
Engine 5	Engine 5	Engine 5	

Apparatus Fleet

The City's current apparatus fleet is shown in the following table.

Southside Fire Station Front Building
2011 100' KME Ladder Truck
1995 102' Ladder Tower, 1250 GPM, 300 Gallon of Water
2018 KME Rescue Pumper 2000GPM, 750 Water
2008 KME Pumper, 1500GPM, 500 Water

Southside Fire Station Rear Building
2002 Ford Utility Truck
2012 Haulmark Trench Rescue Trailer

Diamond Fire Station
2002 KME Pumper 1250GPM, 1000 Gallon Water

14th Ward Fire Station
1987 Mack Pumper, 1500GPM, 750 Water
2008 Haulmark Foam Trailer
3 – 2017 Ford Explorer Chief Vehicles

The National Fire Protection Association (NFPA) provides guidance on appropriate size of a fire department apparatus fleet.

Typical Attack Response Capability
Assuming Interior Attack and Operations Response Capability

High Hazard Occupancies (schools, hospitals, nursing homes, high-rise buildings and other high life hazard or large fire potential occupancies)	**At Least:** Four pumpers; two ladder trucks (or combination apparatus with equivalent capabilities); two chief officers, and other specialized apparatus as may be needed to cope with the combustible involved; not fewer than 24 firefighters
Medium Hazard Occupancies (apartments, offices, mercantile and industrial occupancies not normally requiring extensive rescue or firefighting forces)	**At Least:** Three pumpers; one ladder truck (or combination apparatus with equivalent capabilities); one chief officer, and other specialized apparatus as may be needed or available; not fewer than 16 firefighters
Low Hazard Occupancies (one-, two-, or three-family dwellings and scattered small businesses and industrial occupancies)	**At Least:** Two pumpers; one ladder truck (or combination apparatus with equivalent capabilities); one chief officer, and other specialized apparatus as may be needed or available; not fewer than 12 firefighters
Rural Operations (scattered dwellings, small businesses, and farm buildings)	**At Least:** One pumper with a large water tank (500 gallons or more); one mobile water supply apparatus (1,000 gallons or larger); such specialized equipment as may be needed to perform effective initial interior firefighting operations; one chief officer; not fewer than 12 firefighters
Additional Alarms	**At Least:** The equivalent of that required for rural operations for second alarms; equipment as may be needed according to the type of emergency and capability of the fire department. This may involve the immediate use of mutual aid companies until local forces can be supplemented with additional off-duty personnel. In some communities, single units are "special called' when needed, without always resorting to a multiple alarm. Additional units may be needed to fill at least some empty fire stations.

Availability of mutual aid and automatic aid are also important considerations. Outside aid allows for an adequate first alarm response under extraordinary conditions for the community as a whole, as specified in NFPA recommendations. For the City's response, in general, there are available for response 12 fire personnel under the command of a chief officer, operating a force of two engine companies, and one truck company. The mutual aid agreement in the Hazleton area allows for additional assistance to be delivered in a timely fashion. The recommended replacement of certain current pieces of fire apparatus will allow the city to remain in compliance with the NFPA recommendations.

Example NFPA Hazelton Fire Apparatus Replacement Schedule:

2011	100' KME Ladder Truck	Reserve 2026	Replace 2031
1995	102' Ladder Tower with pump		Replacement Due
2018	KME Rescue Pumper	Reserve 2033	Replace 2038
2008	KME Pumper	Reserve 2023	Replace 2028
2002	KME Pumper	Reserve 2017	Replace 2022
1987	Mack Pumper		Replacement Due

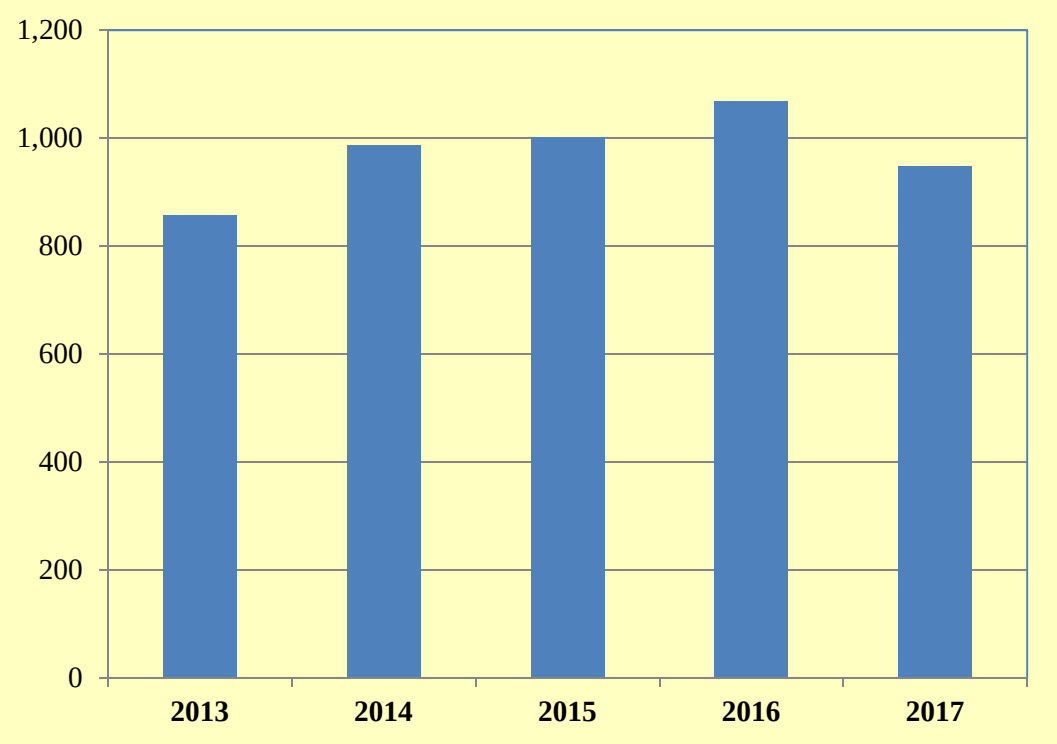
Fire Incident Reporting

The Fire Department has averaged 972 calls per year for the past 5 years (2013- 2017). The categories below are defined by the NFPA Annual Experience Survey as submitted by the Fire Department. The Fire Department completes the appropriate Nation Fire Incident Reporting System (NFIRS) reports for its emergency responses. It is important to note that the number of EMS calls has been increasing since 2013 with the 2017 number increased by 80.1 percent over 2013. The Coordinator's discussions with the Fire Chief indicate that this increase in activity is expected to continue. A review of the available data indicates that similar sized cities have a similar number of responses in each category. (See Table 5-1 and Graphs 5-1, 5-2 and 5-3.)

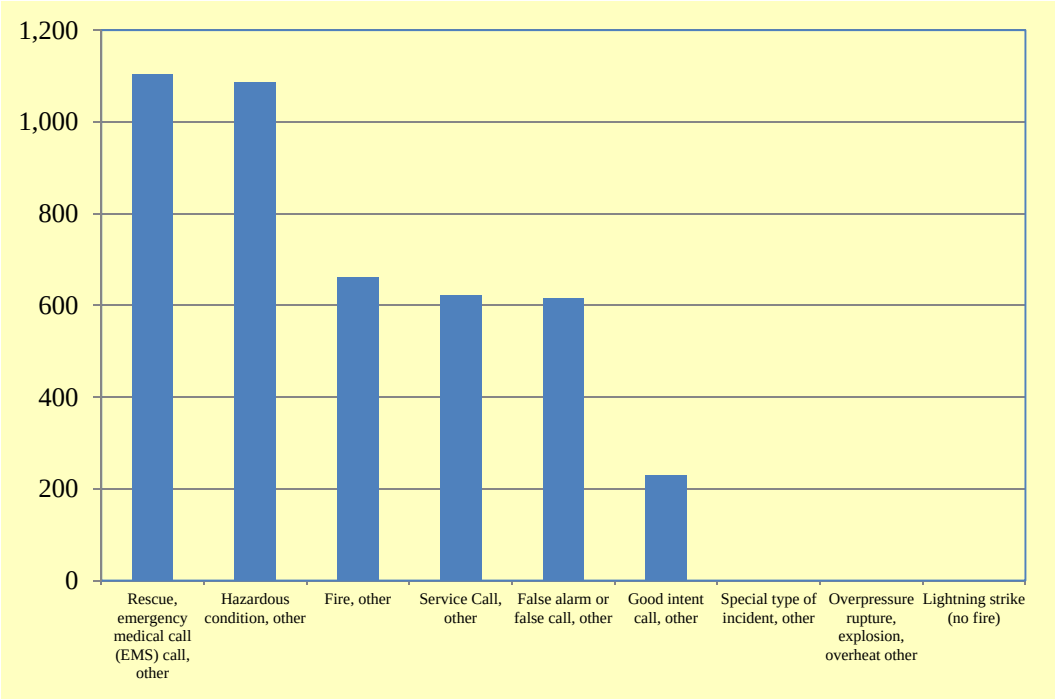
Table 5-1
CITY OF HAZLETON
Fire Incidents by Type
2013 to 2017

Type of NFIRS Call	Responses by Type and Year				
	2013	**2014**	**2015**	**2016**	**2017**
Fire, other	152	126	169	158	129
Overpressure rupture, explosion, overheat other	3	5	2	6	1
Rescue, emergency medical call (EMS) call, other	176	201	224	348	317
Hazardous condition, other	268	285	273	172	172
Service Call, other	104	169	140	156	120
Good intent call, other	40	56	54	63	52
False alarm or false call, other	108	139	139	164	151
Lightning strike (no fire)	0	2	0	0	0
Special type of incident, other	6	4	1	1	5
Total Fire Responses	**857**	**987**	**1002**	**1068**	**947**

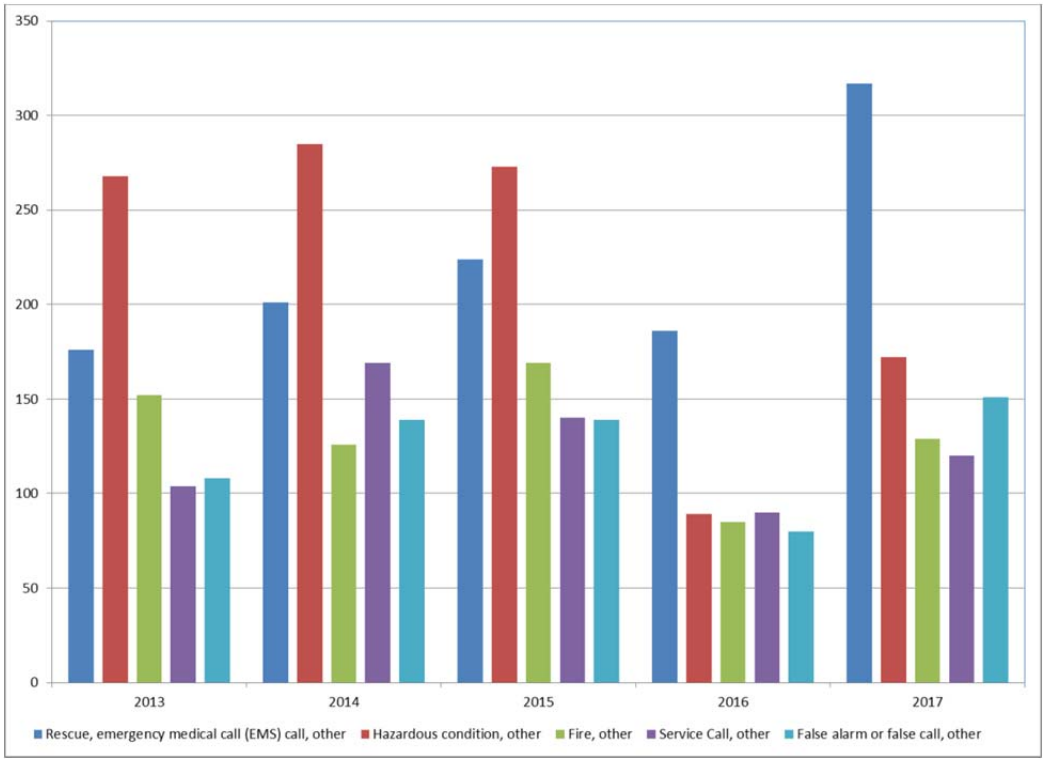
Graph 5-1
CITY OF HAZLETON
Total Calls for Service by Year
2013 – 2017



Graph 5-2
CITY OF HAZLETON
Five Year Total Calls for Service by Type
2013 – 2017



Graph 5-3
CITY OF HAZLETON
Five Year Total Calls for Service by Major Type
2013 – 2017



Municipal Work Environment

The fire work environment of Hazleton firefighters is all-encompassing. The City is comprised of areas that have single-family dwellings, multi-family dwellings, commercial, mercantile and industrial properties. Navigation of the area varies from very narrow and steep streets to newer, more modern streets and highways. There is a significant number of abandoned and condemned structures within the Fire Department's jurisdiction. The fire protection area is adequately covered with fire hydrants providing good to excellent water supply in terms of flow and pressure. The typical national standard for gauging effective fire response is the ability to place the first unit on scene within four minutes travel time, plus 80 seconds for turnout time, 90 percent of the time. The second response time goal is the assembly of a fully effective firefighting force within eight minutes travel time, plus 80 seconds. According to the Fire Chief, Hazleton generally meets this response standard but may not at other times. Conditions that affect City fire response times are simultaneous calls for assistance, longer response distances, and time of day when the volunteer back up is limited or not quickly available.

Mutual Aid Agreement

The parties to the regional mutual aid agreement between the City and the Borough of West Hazleton have memorialized a cooperation agreement for fire protection dated March 15, 2013. The agreement provides for mutual fire protection including personnel and equipment upon request by the fire chief of either municipality, provided that such services shall not be provided if the result is to cause either municipal department to be undermanned or which, in the opinion of the fire chief, would interfere with the efficient operation of the particular Fire Department. The agreement does not allow for incurrence of costs for wages or overtime for any aid provided outside of the respective municipalities and any wages or overtime will be paid by the primary municipal employer. As part of the agreement, the stated intention of both municipalities is to continue to meet and discuss a long-term plan to deliver fire protection on a regional basis to the City and the Borough of West Hazleton. As of this report writing, there has not been recent activity regarding a regional approach to fire protection. The Fire Department also conducts mutual aid assistance with neighboring Hazle Township and McAdoo Borough, as well as any other department if called upon to assist.

ISO Inspection and Rating (Insurance Services Organization)

In 2012 the Fire Department underwent a complete ISO analysis and as a result was given a classification of Class 4 effective February 1, 2013. The Class 4 Rating is quite common for fire departments protecting communities of Hazleton's size and population. This rating is used by insurance companies to set property insurance rates for customers within the Fire Department's jurisdiction and ranges from Class 1 through 10 with 1 being the highest. The Fire Department received 60.16 percent credit out of a possible 100 percent. The handling of fire alarms received 9.00 percent out of a possible 10.00 percent, the Fire Department category received 28.28 percent out of a possible 50.00 percent and water supply received 23.13 percent out of a possible 40.00 percent. The ISO rating is one element used in the development of municipal insurance rates.

CITY OF HAZLETON
Summary of Public Protection Classification Review
Completed by ISO -- 2012

FSRS Item	Earned Credit	Credit Available
Receiving and Handling Fire Alarms		
414. Credit for Telephone Service	**2.00**	2
422. Credit for Operators	**3.00**	3
432. Credit for Dispatch Circuits	**4.00**	5
440.Credit for Receiving and Handling Fire Alarms	**9.00**	**10**
Fire Department		
513. Credit for Engine Companies	**7.81**	10
523. Credit for Reserve Pumpers	**0.77**	1
532. Credit for Pumper Capacity	**5.00**	5
549. Credit for Ladder Service	**4.73**	5
553. Credit for Reserve Ladder and Service Trucks	**0.94**	1
561. Credit for Distribution	**3.29**	4
571. Credit for Company Personnel	**3.80**	15
580. Credit for Training	**1.94**	9
590. Credit for Fire Department	**28.28**	**50**
Water Supply		
616. Credit for Supply System	**18.13**	35
621. Credit for Hydrants	**2.00**	2
631. Credit for Inspection and Condition	**3.00**	**3**
640. Credit for Water Supply	**23.13**	**40**
Divergence	**-0.25**	
Total Credit	**60.16**	**100**

Fire Inspection and Investigation

The Fire Department is responsible for the operation of the code enforcement bureau. Fire department staff conducts in-service company inspections throughout the City.

Training and Safety

According to the Fire Chief, training is conducted each day during the career Fire Department shift. The Chief also indicated that training occurs during the evening to accommodate the volunteer staff schedules.

Information Technology

The Fire Department currently works with two desk top computers in the Fire Chief's office, and a laptop computer in each station, however there is no information sharing setup between the computers, making data analysis and information sharing difficult. The Fire Department currently uses the "Fire Programs" fire data reporting software to produce all fire reports. This is installed on the Chief's office computer. They currently do not have mobile data terminals (MDT) reportedly due to the cost of operational air time amid budget constraints. The Fire Department currently has three flip phones for the Chief's use, however, the age and obsolete utility of these phones makes it difficult to communicate and conduct any city business while out of the station. The Chiefs reported that they are using their personal phones to access information on an incident or just for emailing Fire Department business. An initiative should be developed which allows for the Fire Department to acquire an adequate number of modern cells phones for the Fire Department. If the Fire Department was able to upgrade their departmental computer roster it would allow for a better operation.

Ongoing Initiatives for Future Development

According to the Fire Chief, the Fire Department is current with programs they have started in fire safety, Fire Department training and fire inspections.

Staffing

The Fire Chief has indicated that current staffing levels are tolerated well even with the understaffing due to personnel count. It is the belief of the Fire Chief that using overtime staff to backfill positions is actually less expensive than hiring new staff to increase the on-duty force. While it would be laudable to return the Fire Department to its previous staffing levels, the City's current financial realities make increasing staff compliment —without providing additional revenue generating services— not financially possible.

Union-Management Cooperation

Union-management relations were reported to be amicable and cooperative with the best interests of the City and the Fire Department shared by both management and union members. It was reported that there have been a number of instances in which the union leadership has assisted the Fire Department in various ways and members of the Fire Department strive to

perform tasks beyond the contractual requirements of their assigned firefighting duties. For example, certain union members perform mechanical work on the buildings, equipment, and apparatus of the Fire Department. In interviews with the Coordinator team, the Chief praised the President of the union for seeking ways to save money and assuring that tasks are done to make the Fire Department more effective.

FD-Structure and Administration Initiatives

FD-1 Maintain Union-Management Cooperation.

The Fire Chief and the Union Leadership should work to maintain the cooperative and positive relationships exhibited over the past several years.

FD-2 Create a Written Maintenance Schedule for all Fire Department Apparatus and Equipment.

According to the Fire Chief, increased funding will be needed to maintain the operational condition of the three fire stations and should be included in the City's overall capital improvement plan.

FD-3 Consider providing Emergency Medical Services to the Community.

The City should consider creating a committee comprised of an equal number of managerial and firefighter representatives for the purpose of studying the ways in which EMS Services could be developed and provided to the citizens of the City by the Fire Department.

FD-4 Replace Equipment under a Capital Improvement Plan.

The Fire Department should consider replacing the 1995 102' Ladder Tower with the 1,250 GPM pump and 300 gallons water tank and the 1987 Mack pumper with the 1,500 GPM pump and 750 gallon water tank. This should be done as funds become available. Doing this would maintain a fleet of an appropriate size for the City as mentioned in the NFPA apparatus recommendations.

FD-5 Implement Firefighter Safety Initiatives.

The Fire Department should develop the initiatives planned for firefighter safety

currently under development by the Fire Chief and the Mayor. These include the necessary equipment to allow for the establishment of rapid intervention teams at all working fire incidents, and such other emergencies where they might be needed.

FD-6 Develop Firefighter Training Initiatives.

The Fire Department should develop the initiatives planned for firefighter training which were outlined for the Coordinator by the Fire Chief. These would include more outside training opportunities as well as the acquisition of such training aids as might be available with a better fiscal posture.

FD-7 Examine Radio and Communications for Compatibility with 911 Plan.

The Fire Department should monitor the issues surrounding the need to replace their on-board radios and their portable radios based upon the requirements of the Luzerne County Dispatch System. The Fire Department is currently involved in a 9 department regional grant application that if funded will replace all current mobile portable radios to adapt to Luzerne County 911dispatch.

FD-8 Review City's Long-Term and Regional Fire Protection Demands.

The Fire Department should review the manner in which regional fire protection services are provided in the Hazleton area. In order to do this, a committee comprised of equal number of City and Firefighter Representatives should be formed for the purpose of investigating and making recommendations for a long term plan which will allow the delivery of fire protection on a regional basis to the City and surrounding communities.

CHAPTER 6

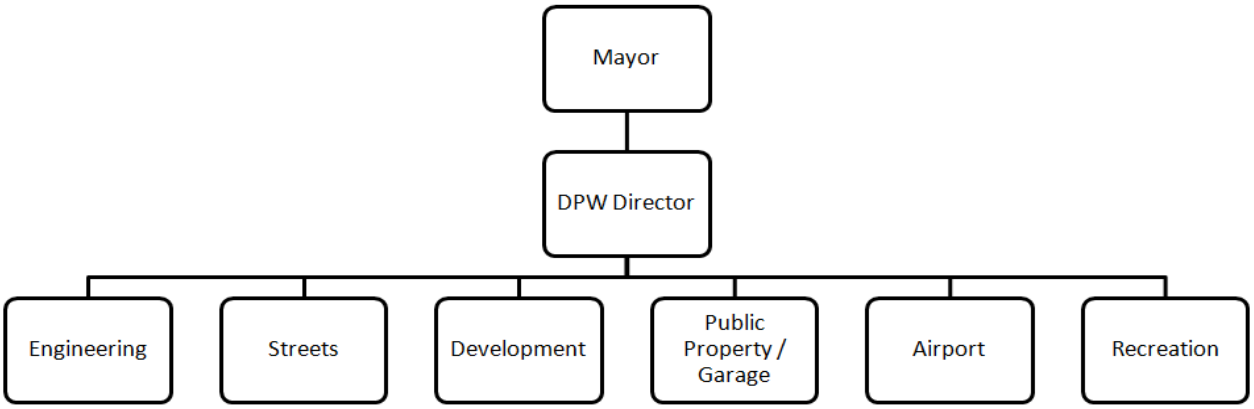
DEPARTMENT OF PUBLIC WORKS

Overview

The responsibilities of the Department of Public Works (DPW) are vast, impacting the everyday lives of Hazleton residents, commuters, and visitors alike. According to §4-12 of the 2002 Hazleton City Administrative Code, DPW "…shall perform those activities required in the operation and maintenance of the following City functions. The areas of responsibility of this department shall be:

A. Engineering
B. Streets
   (1) Street Cleaning
   (2) Street Repair
   (3) Storm Sewers
C. Development
   (1) Planning
   (2) Department of Health
D. Public Property
   (1) Parks
   (2) Public Buildings
   (3) Municipal Garage
   (4) Electrical
E. Airport
F. Recreation

The following organization chart shows the structure of the DPW and the relationships among appropriate City personnel.



Our observations have found, however, that the structure of the Department, as currently constituted, does not match the organizational structure as it is defined by the 2002 City Code and often delegates functions among divisions in an ad hoc way.

Engineering and Code Enforcement

The Engineering Department is currently staffed by an Engineer Technician, a position that coordinates the work of the City's third-party engineer vendors, processes bids for upcoming material purchases and capital projects, tabulates necessary local and state reports pertaining to municipal projects and maintains the City's capital asset schedule. There are no readily apparent stated requirements or qualifications for this position, despite its technical nature; nor is the position outlined in the 2012 City Hall Collective Bargaining Agreement.

The City does not employ a certified Professional Engineer (PE) and currently contracts with two engineering firms to provide related engineering services. Alfred Benesch & Company has been consulting with the City since 2011, primarily providing capital project management. Since that time, the firm has also provided consultation to the Hazleton Regional Airport regarding day-to-day operations, hanger acquisitions and leasing, regulatory compliance and airport grant administration. Dominic Yannuzzi is Alfred Benesch & Company's main point of contact and Project Manager for the Airport and other City Hall improvements.

Barry Isett and Associates, Inc. provides engineering services and grant administration for street paving, municipal park improvements, housing rehabilitation, Municipal Separate Storm Sewer Systems (MS4) and other projects primarily related to the City's Community Development Block Grant (CDBG) funding. Gregg Pavlick is the main point of contact for the services provided to the City from this firm.

The City provides for Uniform Construction Code Commercial and Residential inspections in a hybrid manner. The City's Code Enforcement Department Manager oversees the UCC program, managing permits and plan review processes while sub-code officials provide technical inspections such as electrical, plumbing, etc. Sub-code inspections were until recently provided by Alfred Benesch & Company, but these services are transitioning to Barry Isett and Associates, Inc.

According to the 2002 codification of the Hazleton City Administrative Code, "[t]he Department of Public Safety shall carry out the fire, police, and code enforcement services required for the protection of persons and property in the City as provided by Council." In

practice, the Code Enforcement staff, which provides residential and commercial rental inspections, currently report to the Fire Chief. Code Enforcement has a staff of one full-time department manager, four full-time code officers, and three part-time code officers. To the greatest extent possible, the Code Enforcement Manager tries to assign his staff to sections of the City so they can familiarize themselves with their assigned neighborhood and trends in local conditions.

The City uses the International Building Code of 2015 as its standard for residential and commercial rental inspections. The Code staff also process rental registrations, permits, commercial and industrial contractor licenses, mercantile and business licenses. Fire inspections are done by one staff member that frequently coordinates with the Fire Department. Due to their experience, firefighters are often the first line in identifying potential violations during calls. The Code Enforcement Department is currently in the process of implementing a software suite (Traisr) that provides a GIS-enabled, parcel-level central database for inspection, permit and code violation processing.

Rooming houses have become an issue in the City; officers often find that a single residence has padlocks on each bedroom door, hinting that rooms are being occupied in a manner that violates the property's current zoning and code status. Anecdotes of overcrowding of zoned single or multi-family homes and occupants living in basement dwellings without proper fire escapes are some of the code issues the City has observed as the lower income population has grown.

Streets and Bridges

DPW maintains, rehabilitates and repairs over 100 miles of streets, 95.12 miles of which receive funding from the Pennsylvania Department of Transportation (PennDOT) Liquid Fuels Fund. The work of the Streets and Bridges staff includes paving and patching roads, street salting and snow plowing during winter weather events, seasonal street sweeping and miscellaneous work orders.

DPW has the means to handle street paving in-house with a roller and paving materials. Milling, when performed, requires the rental of equipment. The current collective bargaining agreement between the City and Service Employees International Union, Local No. 473, requires a minimum of eight staff members to pave; thus, with current staffing and the distribution of need throughout the City, paving activities can be disrupted or delayed if two staff members are

out on leave. Because of the realities of staffing, inventory, and present demand, the City contracts with outside vendors through competitive bidding process to provide paving materials and will sometimes hire contractors to speed up the paving process.

A comprehensive paving program would require some form of rehabilitation for 95 miles of Liquid Fuels roads for between 3.17 to 4.75 miles of road annually based on a 20 to 30 year pavement lifecycles. An inspection of the City's MS-329 Project Approval Forms shows that the City has only paved nearly six miles of roads between 2012 and 2017, averaging about one mile per year.

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Miles Paved	1.03	0.53	1.44	0.63	1.73	0.55	5.91

The City runs a street sweeping program on 20 streets from May 1st through October 31st, weather permitting, with two streets sweepers (one considered in poor condition). The Department's Timekeeper issues tickets to vehicles parked in violation of posted street sweeping signs, however, this is not in the Timekeeper's job description. The Street Department's full time employees cut grass on City parks, playgrounds and municipal grounds seasonally. Until recently, this service was performed by the Recreation Department and its seasonal employees.

The Streets staff also executes miscellaneous work orders when requested. The current work order process is manual in nature: the Timekeeper at the municipal garage will field requests from the Code Enforcement Department or the public directly and fill out a paper work order sheet. Staff will take these paper work orders out with them in the course of daily business and return the work order, marked as completed with notes, to the garage Timekeeper. If signage is required, the City has materials and equipment to make the signs at the Municipal Garage.

Refuse and recycling collection is not handled by City employees; this service is contracted out to private haulers through the Hazleton City Authority. Hauling services are provided by Tamaqua Transfer under a five-year refuse and recycling hauling contract, effective April 1 2018.

Stormwater

The City is responsible for the conveyance of storm water within the municipality. DPW maintains approximately 1,400 inlets within its MS4 jurisdiction with an International vactor truck to facilitate drainage of stormwater from the City's street network into the system. The

sanitary sewer system within the municipality is owned and operated by the Greater Hazleton Joint Sewer Authority. It is estimated by City officials that at least 60 percent of the storm and sewer lines are combined, the remainder under the MS4 system.

Municipal Garage

DPW manages the City's entire vehicle fleet, providing maintenance and repairs to the City's police vehicles, Street Department dump trucks, street sweepers, and other City equipment. Staff mechanics perform most repairs and vehicle services in house, with exceptions made for major repairs (e.g. transmission replacements) and specialized vehicle needs (e.g. initial police squad car setup, fire apparatus repairs). Records of vehicle maintenance and repair are kept through manual paper records. These records are kept in specialized manila folders with maintenance grids that allow the mechanics to note mileage, date, and type of work performed on the vehicle. However, minimal vehicle paperwork was observed within these folders during the Coordinator's review.

The garage itself is an older structure with three sections: an administrative section with a lobby, breakroom, and the DPW Director's office; the main garage where the mechanics work on the City's fleet; and a third garage section used to park dump trucks and paving equipment when not in use along with miscellaneous equipment and materials. The main garage is insulated but has drafty windows and poor exhaust ventilation. The mechanics have two lifts at their disposal in this area, including one 20 ton hoist dating from 1950.

Also housed at the municipal garage is the DPW Timekeeper. This member of staff performs the majority of administrative work for the Department, including maintaining time records for payroll, processing work order information, and handling department invoices and records. The Timekeeper will also issue parking tickets for the street sweeping program and snow ban parking restrictions.

Building and Grounds

The City employs two maintenance workers to tend to the miscellaneous maintenance and repair needs within the City's building infrastructure, which includes City Hall, five firehouses, the municipal garage, and the former federal building at the corner of Broad Street and Cedar Street. The City does not have a certified boiler operator on staff, requiring the City to

contract for boiler servicing. This notably contributed to issues in early 2018 when City Hall had to be temporarily closed due to a lack of heat.

Hazleton Regional Airport

While the City Code lists the Hazleton Regional Airport under the auspices of the Department of Public Works, it is currently managed by the Director of Public Services. The City owns the land, runway, buildings, fixtures and equipment comprising the airport, and is known as the sponsor. The City as sponsor contracts for fixed-based operations at the Hazleton Regional Airport on a tract of land in neighboring Hazle Township with a runway measuring 5,001 feet long by 100 feet wide. Recent renovations to the airport include $1.2 million in runway improvements funded through a federal small airports program and a $150,000 grant for fence improvements (Federal Monies). Operations service local flight hobbyists and a number of private corporate jets, the latter due to the Airport's close proximity to the Humboldt and Valmont Industrial Parks.

The Airport charges a progressive landing fee (based on plane size) up to $200 that it will partially or fully waive if the incoming jet purchases fuel from the facility. Such purchases are recorded through AvFuel Hub software and accepted with cash, check and credit card transactions. In addition to refueling, services provided at the facility include pushback, de-icing, and hanger leasing on an overnight and monthly basis. Furthermore, several tenant vendors are on premise providing aviation repairs (Black Rock Aviation), chartered flights (Advanced Jets), skydiving (Above the Poconos Skydivers), and car rentals (Hertz Rentals). The Airport also serves the region by way of public safety, with air bombers during fire season and the leasing of a hanger by the Lehigh Valley Health Network for one of its medivac helicopters. Air bombers occasionally use the Airport as a takeoff and landing point for aerial firefighting during the summer months.

The airport houses a fuel farm for high-octane aviation gasoline (avgas) and jet fuel. This fuel is transferred onto Airport-owned fuel trucks and Airport staff will refuel aircraft when purchases are made. It was noted to us that individuals with all-terrain vehicles and "hotrod" car enthusiasts will also make occasional purchases of avgas from the Airport, or the airport will use the avgas for small equipment with two-cycle engines. A rudimentary fuel reconciliation system is maintained by Airport staff; each staff member keeps a paper log of each transaction and the

amount of fuel purchased. These transactional logs, in turn, are to tie to a paper record of daily fuel levels.

All capital and operating expenses are supposed to be covered by revenues derived from the airport operations and Federal funds (and from time to time money from PennDOT for aviation grants, etc.). When an airport receives money from the Federal Aviation Administration, the airport must agree not to divert revenues from airport operations to the General Fund of the City. In some instances, however, there may be an exception from the blanket proscription against diversion to the general fund where the municipality is providing support services for airport operations such as finance, human resources, purchasing, legal, etc.

Public Transit

Hazleton Public Transit manages fixed route and paratransit services for the City of Hazleton and neighboring communities in Luzerne, Carbon, and Schuylkill Counties. The Department does not employ mechanics or drivers themselves, having bid out these services in their entirety to private vendors in the past; the current operator of these transportation services is the Easton Coach Company.

Public Transit's services are provided with 14 buses and four paratransit vans owned by the City and leased to the contractor for one dollar per bus per year, per Federal Transit Authority (FTA) requirements. Twelve of the buses run during the peak hours between 5:15AM and 5:00PM; eight buses run during off-peak hours. Three of the four paratransit vans can be out at any time providing door to door services to citizens in need. Funding for the Transit Authority is provided by a combination of PennDOT (with a local match required and paid for by Luzerne County) for operating costs and FTA funds for operating or capital needs. Bus tickets and rider fares account for approximately $320,000 in revenue annually.

Recreation

While the City Code lists Recreation under the auspices of the Department of Public Works, it is currently managed by the Director of Community Development. Recreation is staffed by the Community Development Director, a part time maintenance staff person, and 10 seasonal part-time staff. The main programs run by Recreation are the annual Saullo-Serany Summer Basketball League and the Sandlot Slugger Baseball Camp. Both programs cost $30 per

participant for kids from grades 3 through high school, with instructional programs for the youngest participants and camp and league play for older members.

Recreation also provides part-time staff, usually college students majoring in education, as playground instructors in the summer. Recreation also coordinates City events such as a tree-lighting ceremony in December, Independence Day fireworks, and an Easter Egg hunt, but the ability to provide these playground and event activities rely heavily on the availability of part-time staff and the solicitation of donations, respectively.

Capital Planning

The City does not currently conduct a formal capital budget or capital planning process. Roadways are repaved on an "as-needed" basis with informal inspection of conditions annually each spring by the Director of Public Works. DPW has traditionally provided in-house paving labor while funding for materials are made through CDBG funding and Liquid Fuels allocations received from the Commonwealth.

Steps are being implemented by the City's Engineering Technician, the Director of Public Works, the Director of Community Development and the City Mayor, in consultation with Barry Isett and Associates, Inc., to execute a multi-year plan of road rehabilitation and park improvements. The planning process is very dependent upon CDBG funding, Liquid Fuels funding, and other grant awards, making the scope of work highly dependent upon outside factors over which the City has little control.

Staffing

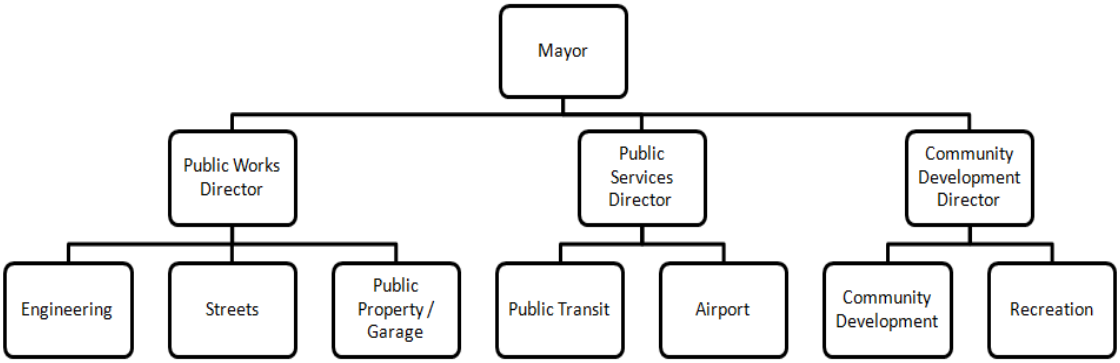
Streets employees have a shift structure with first shift running 7:00AM through 3:00PM and 3:00PM through 11:00PM for the second shift (if required). Snow events, however, will change the shift structure to a 3:00PM through 3:00AM and 3:00AM through 3:00PM structure, with the overnight shift utilized only if conditions require it. An exception to the shift structure is made for the employee who is assigned to run the street sweeper, which is operated from 5:00AM to 1:00PM. (See Table 6-1.)

Table 6-1
CITY OF HAZLETON
PUBLIC WORKS
Staffing
2010-2018

Division	2010	2011	2012	2013	2014	2015	2016	2017	2018
Engineering	4	5	4	1	1	1	1	1	1
Streets	12	13	12	12	15	12	13	14	14
Garage	4	4	4	4	4	4	4	4	4
Building & Grounds Maintenance	2	2	2	2	6	4	3	2	2
Airport	0	0	0	2	4	4	4	5	5
Public Transit	2	3	2	4	5	5	4	5	5
Recreation	11	10	11	10	11	8	12	10	12
Total	**35**	**37**	**35**	**35**	**46**	**38**	**41**	**41**	**43**

Department Assessment

On the whole, the Department of Public Works' structure today does not match the structure found within the 2002 City Code. Part of this is due to funding, with the Airport and Public Transit being specialized functions with self-liquidating operations funded by program revenues and both Commonwealth and federal funding. However, these organizational changes have not been codified by ordinance. The chart below represents the current organizational structure of the activities set out for the Department in the City Code.



The operations of DPW proper, particularly the Streets and Municipal Garage, have not kept up with the increasing shifts towards digitization of records and processes that have helped the industry manage operations and allocate resources. Many core components to Department operations are kept via manual logs and records (if kept at all): work orders, fleet records, purchase orders, and payroll timekeeping. Network connectivity at the municipal garage is

limited to the computer in the Director of Public Works' office, requiring mechanics to often perform research on their cell phones.

The current service model of Streets and Municipal Garage stretches the staff across many competing functions; the Department is often required to put certain services on hold to tend to emergent issues even when fully staffed on a given day. This service model also stresses the limited resources to replace the aging capital equipment of the City, both for DPW operations and other departments serviced by the Municipal Garage. Paving of municipal streets, in particular, requires a majority of the Street Department personnel during paving events at the cost of inlet clearing, pothole patching, street sweeping, park maintenance, and miscellaneous work order needs.

DPWSA Structure and Administration Initiatives

DPWSA-1 Update City Administrative Code to Recognize Organizational Changes in the Department of Public Works.

The current structure of DPW does not match the Administrative Code that governs City operations. The City should develop an updated mission and vision for the Department and update its Code to reflect the organizational structure that will work towards those goals.

DPWSA-2 Competitively Bid Engineering-Intensive Functions.

DPW personnel are utilized for paving projects that are labor intensive and require proper attention to drainage gradients and other technical engineering considerations. Furthermore, this work pulls a significant majority of DPW personnel off of the other public work needs of the City. The City currently paves approximately one mile of City streets a year; a faster pace of road rehabilitation is needed to keep the City's 100-plus miles of roads in fair or better condition. Outsourcing should be studied to determine costs compared to in-house projects. With City equipment exceeding the useful life, replacement of rollers and other heavy equipment may be cost prohibitive.

DPWSA-3 Supplement Full-Time Staff with Seasonal Part-Time Employees.

In accordance with Article XXII of the collective bargaining agreement between the City and Service Employees International Union, Local No. 473, the City should target the use of seasonal labor providing minimally skilled work. Seasonal part-time assistance for grass-cutting and park maintenance needs, as an example, will free up full time employees to address core functions that are not being done due to time restraints.

A sample of Street and Garage employee timesheets from July 1 through July 28, 2017 show that staff spent 144 hours maintaining City playgrounds. If we assume this to be the average for a summer month, and that this work spans the months of May through September (and partially in April and October), this would equate to approximately 792 hours of labor annually. At the collectively bargained rate of $12 per hour for part-time park maintenance work, this would equate to approximately $9,500 in part-time labor costs per year.

DPWSA-4 Digitize Records and Processes.

The Department of Public Works, particularly the Streets and Municipal Garage divisions, rely heavily on paper records and manual processes for day-to-day operations. As a subset to other Information Technology initiatives in this Recovery Plan, the Directors of Public Works and Administration should work together to develop a plan of action regarding technology improvements within Public Works.

Particular priority should be given to fleet management software to provide an easily accessible database for vehicle records and repair history to City management. Such software would also be able to more easily allocate vehicle expenditures to their appropriate cost centers within the City's chart of accounts.

Timesheets are currently kept with little specificity other than the day of work, total hours worked, and a description of the day's activities. It is rare for this description to go into any detail other than, for example, "garage", "inlet repairs", "hot patch" or "playground." Electronic keeping of more

detailed timesheets and/or work order processing can improve communications on which inlets are repaired, which roads had potholes patched, and what work was performed at the playground, increasing operational transparency and records of services rendered. In many cases, the technology needs of the Department may be fulfilled by expanding the use of existing software packages, such as AccuFund and/or Traisr.

DPWSA-5 Reassign the Issuance of Street Sweeping and Snow Ban Violation Ticketing to the Parking Department.

The issuance of street sweeping and snow ban violation tickets should be reassigned to the Parking Department to insure that these tickets are issued in accordance with the standard practices and procedures of all other parking-related violations in the City.

DPWSA-6 Explore Vehicle Leasing Mechanisms and Alternative Capital Equipment Funding Mechanisms.

Heavy equipment and much of the snow plowing removal equipment have reached their useful life cycles. City vehicles and capital equipment should be replaced through multi-year lease programs to amortize the cost of vehicles across their useful life cycle. Regular equipment replacement increases time spent on the street plowing and reduces downtime for repairs due to the over-extended life of the truck and equipment rentals when City capital is down for emergent repair.

The City should also explore internal funding mechanisms such as internal service funds (e.g., a vehicle replacement fund) to provide sufficient cash flow for the cycle of vehicle and equipment use and replacement. Best practice and policy information on such internal service funds are available through organizations like the Government Finance Officers Association (GFOA).

DPWSA-7 Implement Fuel Best Practices at Hazleton Regional Airport.

The City should review best practices for the handling of fuel within fix-

based operations airports and explore the cost effectiveness of adding a self-service refueling station. A self-service refueling station would eliminate the need to fuel trucks over time, reduce the potential for fuel theft, and improve safety.

DPWSA-8 Conduct Hazleton Regional Airport Study to Maximize Asset Utilization.

The airport is an asset that should be reviewed to maximize its value to the City and the region it serves. Prior to the City undertaking fixed-based operations, the Airport did not always break-even, requiring City funds, at times, to supplement airport operations. Today the Airport is a self-sustaining enterprise that, due to federal regulations, does not contribute to the General Fund. This dynamic illustrates that the City may be burdened by liabilities vis-à-vis the Airport, but is not receiving any tangible benefits from its operations.

The City should engage an airport consultant to undertake a study assessing:

1. The extent to which, if any, indirect costs of the City may be defrayed from revenues of airport operations,
2. Whether in light of the City's fiscal distress, there is a better owner-operator model than a Fixed Base Operator (FBO) for insulating the City from any potential liability and maximizing the value of the airport asset for the City, and
3. Whether the existing FBO arrangement or a replacement arrangement might improve operations for the City and the Greater Hazelton region.

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CHAPTER 7
AUTHORITIES AND ENTERPRISES

Hazleton City Authority

The Hazleton City Authority (HCA) is a body corporate and politic, created under ordinance by the City of Hazleton in 1938, in accordance with the Municipality Authorities Act, as amended. The HCA is comprised of two divisions, the Water Department and the Industrial Division. The Water Department's water supply system serves the southern part of Luzerne County and parts of Carbon and Schuylkill counties (approximately sixty square miles of land). The water supply system serves approximately 15,000 customers. The Industrial Division commenced solid waste collection services for the City of Hazleton in January 2011 and serves approximately 10,300 customers under a third party collection agreement.

A Master Services and Economic Development Agreement was entered into as of October 9, 2010 (the "Master Services Agreement"). The City was confronting significant financial difficulties during the period of time leading up to the execution and delivery of the Master Services Agreement with the HCA. Among other issues, the City could not repay its 2009 Tax Anticipation Note (TAN) of approximately $1.5 million and had to combine the unpaid portion into a larger 2010 TAN thereby increasing the repayment obligation at the end of 2010 to approximately $2.5 million. In addition, between 2005 and 2009 the City's accounts payable increased by over 370% and amounts borrowed from other government funds was approximately $923,000. Repeated structural deficits caused the City to explore alternative means of addressing these deficits short of tax increases. One solution that was contemplated at the time was to sell the water assets of the City which were under control of the HCA at the time to generate cash proceeds. This would have been accomplished by terminating the existence of the HCA and entering into a sale or concession contract with respect to the City's water assets.

In the context of the threat of a sale on the one hand, and the continuing operating deficits the City was facing on the other hand, the Master Services and Economic Development Agreement appears to have been a compromise arrangement – the HCA would prevent the City from terminating the Authority and selling the water assets, and the City, would receive some

upfront cash to pay current obligations and a modest revenue stream to move towards balanced operations.

The total amount paid by HCA to the City as initial compensation was $480,000. Schedule B of the Master Services Agreement, which contains the schedule of payments from 2011-2025 provides for approximately $410,000 in annual revenues. Notably, there are significant categories of cost that are missing, including allocable shares of pensions, workers' compensation, employee and retiree health care benefits and salary increases. Moreover, there is no escalation of any of the specific costs in the schedule, notwithstanding the fact that costs of police, fire, public health, code inspection, public works, and other services that require personnel with escalating salaries and benefits must necessarily be covered.

HCA Initiatives

HCA-1 Review Master Services and Economic Development Agreement between the City and the Hazleton City Authority.

The City shall undertake a comprehensive assessment of services provided to the HCA and shared costs under the Master Services Agreement. Upon completion of the assessment the City shall negotiate an updated Amended and Restated Master Services and Economic Development Agreement for the use by the City and the HCA. The assessment will include but not be limited to services from and utilization of the City's employees, property, offices and facilities, security, health and code enforcement, use of equipment and economic development functions. Additionally, to the extent that HCA can perform services for or on behalf of the City and thereby reducing the cost of City services, inclusion of these types of provisions may be appropriate.

Greater Hazleton Joint Sewer Authority

Treatment of the City's wastewater has long been accomplished by conveyance of wastewater to the Greater Hazleton Joint Sewer Authority's Sewer Treatment Plant. The Greater Hazleton Joint Sewer Authority (GHJSA) treatment plant and pump station were completed in 1967. Improvements and some upgrades were made in 1972, 1987, 1996, 1997, 2000-2002 and

between 2002 and 2012. Wastewater from the City has been treated at the GHJSA treatment plant pursuant to a Service Agreement, dated as of August 1, 1963, as amended.

Agreement for Conveyance of Collection System.

The City and West Hazleton transferred their respective sewage collection systems to the GHJSA effective January 1, 2013, pursuant to a written agreement and in accordance with an option agreement dated April 9, 2009 (Agreement). The Agreement is stated to be legally binding for a period of not less than fifty years. In connection with this transfer, the GHJSA agreed to assume two PennVest Loans outstanding in the aggregate principal amount of less than $1.0 million. While the City had been bargaining for additional upfront compensation, it was determined at the time that the expense of separating the combined sewer overflow and bringing the City's wastewater collection system into compliance with the Corrective Action Plan (CAP) and environmental regulations, would be so significant that the transfer did not warrant upfront payment to the City. This negotiation, as the Coordinator understands it, involved Commonwealth regulators and political representatives in the region as well as principals of the parties. The Agreement purports to convey from the City to the Joint Sewer Authority all of the collection system and necessary facilities (exclusive of the MS4 storm water system). Where there is a separate MS4 storm water system, the City retains responsibility. Where there is a combined sewer system, the Authority is responsible under the Agreement.

Separate sewage transmission fees are used to fund the activities of the Collection System Division of the GHJSA. Data indicates that the City is responsible for 62.2 percent of Residential EDU count to the GHJSA; 69.47 percent of the Commercial EDU count; and 40.56 percent of the Industrial count. This conveyance provided GHJSA with substantial additional operating revenue and assets but the Joint Sewer Authority is required in return to implement changes detailed in the CAP and to separate the two systems. To this end, the GHJSA has begun mapping, televising, smoke testing and flow monitoring in parts of the system to comply with the PA Department of Environmental Protection's CAP.

Identification of the remaining combined stormwater/sewer pipes and inlets and compensation for the street sweeping, cleaning and maintenance of such inlets, and other best practices management initiatives relating to the combined system should be undertaken, and the City should be compensated accordingly for the services it is providing.

GHJSA Initiatives

GHJSA-1 Review Option Agreement (2009) and Agreement between City and Greater Hazleton Joint Sewer Authority dated as of March 5, 2013; Negotiate a Shared Services Agreement that compensates the City for street sweeping, cleaning and otherwise maintaining Combined Sewer Overflows infrastructure that is the responsibility of the Authority.

Parking System Review

The City owns and operates a parking system comprised of approximately 393 on-street parking meters, multiple surface parking lots and one parking garage. The surface lots are used by permitted parkers and transient parkers. The parking lots combine metered and pay-by-space pay stations.

The parking garage is known as the South Wyoming Street Garage (Garage). The Garage has approximately 206 spaces, of which approximately 57 are currently reserved for employees of D'Angelo Brothers, Inc.; approximately 63 are currently available for monthly permit spaces for employees of other local businesses and the balance are permitted to various business or organizations.

In many cities, boroughs and townships in the Commonwealth of Pennsylvania, the parking system provides a meaningful subsidy to its General Fund. Such a subsidy is often justified by the fact that a significant number of parkers are non-residents and the parking revenues are used to defray some of the expenses that the municipality incurs serving the needs of these non-residents. A local service tax and earned income tax for non-resident workers are also designed for this purpose, but often the sum of these two non-resident taxes is insufficient to defray the additional costs of services for the benefit of, and infrastructure usage by, non-residents. In many jurisdictions a parking tax will be imposed as a percentage of the parking rate, and this levy can be used by the General Fund, along with any surplus amounts to pay for essential government services delivered to its tax payers alleviating to an extent the reliance on property taxes, fees and rates. A parking tax can be assessed at privately owned paid parking lots as well the public lots and garages. There is no parking tax in Hazleton at this time.

After parking-related expenses have been accounted for, utilization of parking revenues to subsidize the General Fund should be balanced with the fact that businesses thrive when more

people are in the central business district for work, leisure activities and related purposes. As such, parking rates should, to the extent financially possible, not limit the City's other economic development strategies and encourage vibrant business districts.

The parking system recorded a net surplus of revenues over expenditures in 2017 and budgeted a surplus in 2018. (See Table 7-1.)

Table 7-1
CITY OF HAZLETON
Summary of Profits and Losses in Parking Fund Prior to Indirect Overhead Allocation
Unaudited 2017 Budgeted 2018

	2017 Unaudited	**2018 Budgeted**
Revenues		
Meter Fines	$358,152	$300,000
Meter Revenue	137,474	$140,000
Monthly permits	84,908	$ 74,000
Garage Fees	56,861	$ 50,000
Total	$637,395	$669,000
Expenses	226,334	195,263
Net Revenues	$411,061	$368,737

The current financial position of the parking enterprise *appears* to demonstrate that parking revenues support all direct costs associated with the parking system. It should be noted that in 2013, the City terminated the Hazleton Parking Authority and transferred its assets and operations to the City. In 2014, 2015, and 2016, the expenditures associated with parking were dispersed throughout the City's financial statements. Beginning in 2017 and 2018, direct expenditures were booked under Department Code 412 – Parking. These expenditures include three full-time and three part-time staff members responsible for parking collections and enforcement. The parking function is a component of the Department of Public Transit. As of the date of this Plan, the City has not yet allocated time and expenses of members of other departments (i.e. Police, the Department of Public Works, payroll and benefits administration, financial administration, Mayor, Solicitor, etc.) to the parking enterprise and the City should consider allocating a reasonable portion of such expenditures to the parking enterprise in future budgets and for accounting purposes. This practice would give the City a more complete picture of the total cost of the parking operations and a more accurate picture of General Fund expenditures for purposes of:

- Ensuring that revenues from parking are sufficient to generate the desired level of subsidy to the General Fund,
- Ensuring that department expenses in the General Fund are not overstated thereby providing a more accurate picture necessary to attain a structurally balanced General Fund,
- Creating a capital improvement plan, whereby parking related capital needs are identified and amounts are set aside from parking revenues for capital improvement needs in order to give the City a better understanding of the true cost of its parking assets.

Parking System Revenues

Revenues from the parking system under the General Fund accounting ranged from $297,076 in 2013 to a budgeted $669,000 in 2018. (See Table 7-2.)

Table 7-2
CITY OF HAZLETON
Parking Revenues
2013-2018

Account Description	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Unaudited	2018 Budget
Parking meter fines	$269,059	$213,296	$163,529	$354,733	$358,152	$399,000
Parking meters	28,017	30,402	84,045	136,988	137,474	140,000
Monthly parking permits	0	7,656	39,249	90,023	84,908	80,000
Parking garage fees	0	12,079	71,563	48,284	56,861	50,000
Total Revenues	$297,076	$263,433	$358,386	$630,028	$637,395	$669,000

Meter and Parking Fines

Meter fines are $20 if paid within five calendar days from date of issue, $30 if paid on the sixth to twentieth day. Certain other parking violations result in a $100 fine (fire hydrant/fire zone; parked/stopped in moving traffic lane, etc.), $75.00 fines (handicapped parking; missing or expired inspection sticker; snow maintenance, etc.), $40.00 fines (double parking, obstructing sidewalk or crosswalk, etc.), $30.00 fines (Street sweeping, within 20 feet of intersection, facing in wrong direction, etc.). Fine revenue has increased significantly since 2013 through 2017 when unaudited collections were $358,152.

Meter Revenues

These revenues would be expected to increase as more diligent enforcement began to occur during the period. That is, if enforcement does not occur regularly, people will try their luck and not feed the meters, or not go out of their way to find change for the meters. General Fund meter revenues were $28,017 in 2013 and increased to $137,474 in 2017, or by nearly 400 percent. At the end of 2016, commencing in 2017, meter rates were doubled. While that would not necessarily result in a doubling of meter revenues (due to pricing elasticity, it is possible that utilization declines slightly), it is not readily apparent why revenue amounts in 2017 would not be approximately double over the period. Infrastructure such as old meters, with old parts, will break down from time to time with consequent loss of revenue. It will be important for the City to upgrade its meters to maximize meter revenue.

Monthly Permit Revenue and Transient Parking

In 2015, revenues from the lots and garages (excluding meters) were only approximately $110,000. For 2017 and 2018 budgets, the amount increased to $125,000 in large part due to increases in permit fees.[1] Based upon interviews with the City, the parking garage has had enforcement problems due to the gate malfunctioning. As with the meter mechanisms, it is likely that the City is losing revenue due to this problem.

Related Debt Service

There is currently no debt service allocated to the parking system at this time.

Capital Improvement Plan and Capital Reserve

It is considered a best practice for a parking system to maintain a multi-year capital improvement plan or CIP. In order to continue to generate revenues at the level currently being realized, the meters, lots, and garage spaces need to be in a maintained condition to accept paying customers. If a meter breaks down and spare parts have not been purchased, revenue is lost. This appears to be a significant problem and one of the reasons meter revenues may not be

[1] Monthly permits at the **South Wyoming Street Garage** for non-reserved spots were raised from $44.30 per month to $50.00 per month. For reserved spots the increase was from $55.60 per month to $61 per month. Transient parking was increased to $1.00 for the first half hour and then $.25 for each half hour thereafter. Monthly permits at **North Side lot** were increased from $37.80 to $40 per month for non-reserved spaces. Hourly rates increased from $.50 per hour to $1.00 per hour. Monthly permits for non-reserved spaces at **Wyoming Street** lot were increased from $33.40 per month to $40 per month. Reserved spaces increased to $61 per month.

as high as they could be. The meters being used are the Duncan Eagle model, which are out dated and should be replaced by smart single space meters or smart pay stations, if possible.

The discipline of creating a CIP requires prioritizing needs and then identifying funding sources to serve the City well as it sets out to meet its current challenges. As to a funding plan, the first step may be to set aside some of the surplus funds from parking operations each year and place those funds in a reserve for capital improvements. Creative ideas can be deployed such as switching one or more of the lots to a pay station or kiosk system and using the meters that are no longer deployed in that lot for spare parts elsewhere. The Duncan- Eagle meters being used currently could be replaced by smart meters that take debit cards and credit cards which could in turn reduce the workload for those collecting coin boxes, and also provide more accurate data to the City as to where meters are being utilized most frequently. Infrequently used meters can be a lower priority as the City gradually upgrades the on-street system and off-street meters. In some cases the meters can just be removed. Revenue sharing programs offered by some vendors of meters and pay stations may be utilized to acquire new equipment including multi-space smart meters or kiosks without an initial capital outlay. This idea would work best if the City could keep approximately the same amount of revenue from meters that it is currently bringing in, while the incremental collection amounts pay back the cost of the new equipment. A request for proposal can be developed that specifies the revenue requirements and a funding formula.

Operating Costs including Routine Maintenance

According to City officials, meter enforcement, collections and permitting are performed by three full-time and three part-time employees. Considering the number of meters that need to be patrolled and fixed, and the fact that only one person is on duty at any given time who is also responsible for emptying the coins from the meters while attempting to ticket for other safety violations, it would appear that current staffing is inadequate and may be affecting meter revenues' totals. Adding additional personnel would be one option, although in light of the fiscal distress of the City it is not feasible. Another option would be to convert to a system with on-street pay stations with multi-lingual displays. These pay stations take credit cards and will supplement the non-coin revenue generated by mobile application payments and would ease the need for additional hiring. There may be some resistance to pay stations that require input of license plate information, but less personnel can do more with a car and a license plate

recognition device, so when replacement of some or all of the meters is next considered, we recommend carefully considering pay stations. As meters need more repair and spare parts, there may be an opportunity to gradually introduce pay stations on at least a few heavy volume blocks in the City and use the working parts of the uninstalled meters for the remaining meters. The City should review whether the apparently low usage for mobile applications (e.g. Pango) is a bi-product of the parkers' preferences or a function of the mobile app implementation.

The Coordinator's review of the amount of salary and benefits assigned to the parking system and other direct and indirect charges leads to the conclusion that there may be more overhead costs being borne by the General Fund that could be assigned to the parking operation. Without a comprehensive overhead allocation study the City cannot know the full expense of its parking facilities and operations.

Adequacy of On-street Parking

The City has not undertaken a recent demand study with respect to current parking capacity and needs. A demand study would entail, among other things, counting the unoccupied spaces during peak and off-peak periods to ascertain whether there is adequate turnover for merchants and whether drivers are circling around searching for a parking space causing congestion and potentially safety issues. An industry standard would be to have approximately 10-15% of spaces on-street available at all times for convenient and efficient parking. If on-street availability is stressed at times, this can cause drivers to circle around looking for spaces and may indicate that there are additional on-street parking needs. If in fact the supply is insufficient for the demand on street, solutions to consider would be to review the rate structure in order to move some of the on-street parkers into the garage or the lots that have adequate supply for transient parkers, to move some of the permit holders off-street, and finally, to add spaces to the inventory in areas that are convenient to parkers.

Adequacy of Off-street Parking

As with on-street parking, the City has not undertaken a recent demand study, but because most of the parkers are monthly permit-holders the City should have a sufficient understanding on the usage of its off-street facilities. The Coordinator's review of the revenues produced by permits indicates a possible underutilization of these facilities or there may be one

or more price discount arrangements deflating this revenue stream. An analysis of the suitability for a sale, lease, or concession agreement of one or more of the lots or the garage could provide guidance. If there is excess supply of transient parking spaces, reprogramming, leasing or even selling a lot should be assessed. Because this is an important revenue stream for the General Fund, care should be taken in analyzing the net positive value of any transaction. A request for proposal process can be used to compare the status quo to this alternative.

PARK -Parking System Initiatives

PARK-1 Perform Parking Garages and Parking Lots Capital Needs Assessment.

Garage and surface lot fees were increased in 2017. As mentioned earlier, there are capital improvements necessary that impact revenue generation. These repairs should be accomplished using parking system revenues. The longer term capital needs of the parking system will require further maintenance and improvements and will continue to be a liability for the City. The City will need to provide adequate parking system revenue to address these necessary capital needs. Depending upon the capital needs ascertained, the City may not have sufficient general fund revenues to supplement or to pay debt related to the capital needs. Accordingly, the City should consider examining the potential of a lease or concession arrangement whereby the tenant operator or concessionaire pays for the immediate capital needs, ongoing operating expenses, maintenance, and a lease payment to the City.

PARK-2 Perform On-Street Parking Meter Analysis.

The City should identify those areas where there is heavy to moderate use of parking meters for on-street parking and develop a strategy to acquire new meters and/or pay stations. Therefore, the City should consider undertaking a demand study to assess current on-street parking capacity and needs.

PARK-3 Perform Off-Street Parking Demand Assessment.

In conjunction with an on-street analysis the City should determine the off–street parking demand with a goal of identifying any excess property and/or operating options for the parking garage. The City shall attempt to reduce the administrative burden and general fund expenses incurred by the City in support of off street parking to improve net cash flow to the General Fund.

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CHAPTER 8

WORKFORCE AND COLLECTIVE BARGAINING

Overview

As with most local governments, the services provided by the City of Hazleton are labor-intensive. The City requires people to prevent and investigate crime and enforce laws, maintain safe and clean streets, and deliver the other important services of municipal government. As a result, employee wages and benefits account for the majority of the City's General Fund expenditures. In addition to expenditures for employee wages and benefits paid from the General Fund, employee wages and benefits are also paid out of the Recreation, Airport, Community Development and Public Transit Funds. The employees paid from the other funds are not part of a bargaining unit.

Employee expenditures paid from the General Fund for fiscal years ending December 31 from 2013 through 2017 ranged from $7.2 million in 2013 to $8.3 million in 2017. This equates to a range of 79.0% to 86.6% of Total General Fund Expense, and 76.3% to 86.5% of Total General Fund Revenue.

The largest component of personnel expenditures is salaries/wages. Total salary expenditures ranged from $4,647,997 in 2013 to $5,032,063 in 2015. Salaries and wages for 2017 totaled $4,990,303. For the review period salaries and wages increased by $342,306 or 7.4 percent. Expenditures for employee health insurance were the second largest component of employee expenses ranging from $1,189,370 in 2014 to $1,785,552 in 2017. The five year change for health insurance was $573,517 or 47.3 percent, approximately $230,000 more than the increase in salaries and wages for the same period. The City’s cost for Workers’ Compensation insurance rose over the review period by $145,852 or 41.9 percent. (See Table 8-1 on next page.)

Table 8-1
CITY OF HAZLETON
GENERAL FUND
Historical Expenditures -Workforce
2013 – 2017

Expenditure Type	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	Change 2013 - 2017 $	%
Salary & Wages	4,647,997	4,760,680	5,032,063	5,009,131	4,990,303	342,306	7.4
Incentive Pay	17,400	17,383	20,400	22,350	24,350	6,950	39.9
Longevity	255,486	255,441	271,144	264,692	267,979	12,493	4.9
Overtime	396,173	312,711	425,155	377,687	349,814	-46,359	-11.7
Shift Differential	40,022	39,104	44,940	58,831	32,688	-7,334	-18.3
Court Pay	25,925	17,420	15,725	17,151	21,133	-4,792	-18.5
FICA	105,890	107,378	122,128	119,839	114,948	9,058	8.6
Medicare	78,279	78,764	85,053	84,389	83,562	5,283	6.7
Medical	1,212,035	1,189,370	1,200,964	1,593,970	1,785,552	573,517	47.3
Life Insurance	8,354	7,730	9,805	6,175	4,525	-3,829	-45.8
Unemployment Comp	42,791	45,752	49,801	51,817	55,046	12,255	28.6
Workers' Comp	347,822	334,547	433,689	459,850	493,674	145,852	41.9
Uniform Allowance	42,799	32,944	33,330	43,123	48,405	5,606	13.1
Total Employee Expenditures	7,220,973	7,199,224	7,744,197	8,109,005	8,271,980	1,051,007	14.6

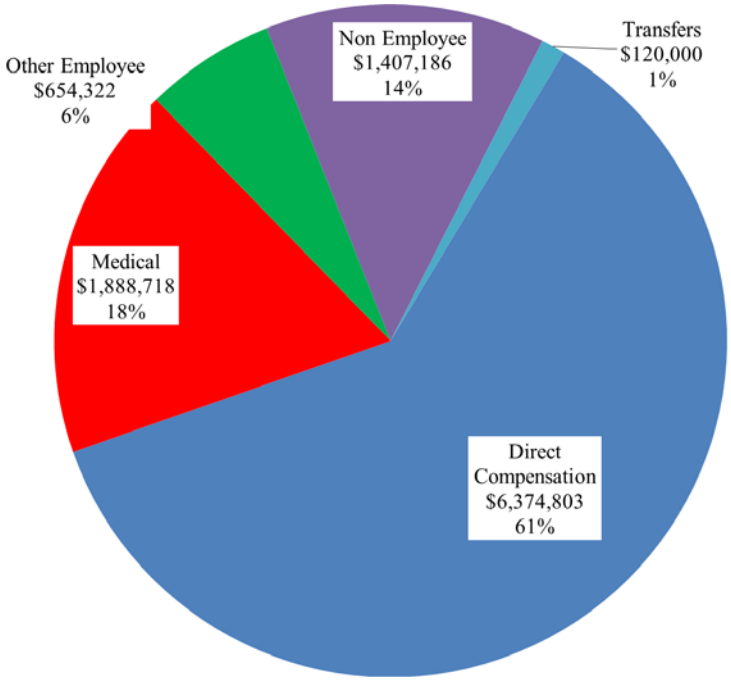
As a percentage of General Fund expenditures, employee wages and benefits ranged from a low of 79% in 2014 to a high of 86.5% in 2017. (See Table 8-2.)

Table 8-2
CITY OF HAZLETON
GENERAL FUND
Employee versus Non-Employee Expenditures
2013 to 2017

	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Employee/Nonemployee Expenditures as a % of Revenue and Expenditures					
General Fund					
Employee	$7,220,973	$7,199,224	$7,744,197	$8,109,005	$8,271,980
Non Employee/ Transfers	1,501,925	1,918,807	1,701,675	1,611,519	1,282,138
Revenues	9,101,230	9,441,224	9,228,679	9,575,718	9,563,080
Expenditures	8,722,898	9,118,031	9,445,872	9,720,524	9,554,117
Percent of General Fund Revenue and Expenditures					
Revenues					
Employee	79.3	76.3	83.9	84.7	86.5
Non Employee/Transfers	16.5	20.3	18.4	16.8	13.4
Total	**95.8**	**96.6**	**102.4**	**101.5**	**99.9**
Expenditures					
Employee	82.8	79.0	82.0	83.4	86.6
Non Employee/Transfers	17.2	21.0	18.0	16.6	13.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

For FY2018, employee wages and benefits account for approximately $8.3 million or 85%, of the City's $10.4 million General Fund expenditures. (See Graph 8-1.)

Graph 8-1
CITY OF HAZLETON
GENERAL FUND
Expenditures by Type
2018 Budget



Employee expenditures are a function of the total number of employees and the cost per employee, as determined by the current compensation level (salary/wage and benefits) and the future growth of these costs. Given that employee expenditures represent such a large percentage of the City's total expenditures and revenues, the total number of City employees and employee compensation (salaries/wages and benefits) must be controlled in order to contain the City's structural deficit and restore the City's fiscal health. Thereafter, these costs must be carefully managed in order to maintain the City's fiscal health. The growth in employee compensation costs must be kept in line with the growth of City's revenues. Unless future employee-related costs are maintained at affordable levels, the City will risk continued financial distress to the detriment of all parties, including City employees. This Chapter will examine the City's employee compensation level and provide initiatives to control the City's employee-related costs for the long-term benefit of all parties.

Headcount and Representation

The City's 2018 General Fund budget included 137 positions, including 8 elected official positions. As of March 2018, the City employed approximately 129 persons (excluding the

elected officials) of which 96 are covered by collective bargaining agreements between the City and the respective collective bargaining units. The Police Department has 42 police officers represented by Fraternal Order of Police, Power City Lodge #18 under an agreement expiring on December 31, 2018; the Fire Department has 20 represented employees by International Association of Fire Fighters, Local No. 507 under an agreement expiring on December 31, 2021. Public works employees totaling 19 are represented by Service Employees International Union, Local 473, 32BJ with a contract expiration of December 31, 2021. Fifteen City Hall employees are represented by Service Employees International Union, Local 668 under a contract that expired on December 31, 2016. The City is conducting on-going negotiations under extended contract terms. (See Table 8-3.)

The remaining 41 employees include the elected officials, department directors and mangers as well as unrepresented employees in other dedicated funds. The chart below shows employee headcounts by collective bargaining unit, the total employees who are not represented by unions, as well as the terms of the collective bargaining agreements.

Table 8-3
CITY OF HAZLETON
Total Budgeted City Employees
(As of March 2018)

Bargaining Group	Union	# of Employees	Contract Expiration
Police	Fraternal Order of Police, Power City Lodge #18	42	12/21/2018
Fire	International Association of Fire Fighters, Local No. 507	20	12/31/2021
Public Works	Service Employees International Union, Local 473, 32BJ	19	12/31/2021
City Hall	Service Employees International Union, Local 668	15	12/31/2016
Non-Union	n/a	33	n/a
Elected	n/a	8	n/a
Total		**137**	

The positions shown below are those budgeted yearly but not necessarily filled positions. The actual number of employees at any one time during a year may vary. For the six-year period beginning in 2013, the total number of City budgeted positions increased by 15 to 137, up from 122 in 2013. The increases were seen in Police (2); Parking Enforcement (6); Streets (2); Recreation (1.22 FTE); Airport (3); Public Transit (1). Decreases in budgeted employees were in Community Development (0.22 FTE). The General Fund budgeted positions increased by 10 while the other funds increased by five positions over the 2013 through 2018 period. (See Table 8-4.)

Table 8-4
CITY OF HAZLETON
Total Budgeted City Employees
Six Year Budgeted Positions by Department 2013 – 2018
(As of March 2018)

Department	2013	2014	2015	2016	2017	2018	Change
Council	5	5	5	5	5	5	0
Mayor	2	2	2	2	2	2	0
Administration	3	3	3	3	3	3	0
Solicitor	0	0	1	0	0	0	0
City Clerk	1	1	1	1	1	1	0
Payroll	1	1	1	1	1	1	0
Engineering	1	1	1	1	1	1	0
Building & Grounds	2	6	4	3	2	2	0
Police	43	42	42	45	43	45	2
Fire	21	21	21	21	21	21	0
Parking Enforcement	0	0	0	0	7	6	6
Code/Lic./Health/Pkg	8	9	12	13	8	8	0
Streets	12	15	12	13	14	14	2
Garage	4	4	4	4	3	4	0
Total General Fund	**103**	**110**	**109**	**112**	**111**	**113**	**10**
Recreation	10	11	8	11.22	9.22	11.22	1.22
Airport	2	4	4	4	6	5	3
Community Development	3	2	2	2.78	2.78	2.78	-0.22
Public Transit	4	5	5	4	5	5	1
Total Other Funds	**19**	**22**	**19**	**22**	**23**	**24**	**5**
Total City	**122**	**132**	**128**	**134**	**134**	**137**	**15**

For the eleven year period beginning in 2008, the total number of budgeted positions increased by 14 or one less than the five year period. Most departments had no increase in budgeted positions over the ten year period. Since 2008, increases in budgeted positions were recorded in police (1); parking enforcement (6); codes, licensing, health and parking (2); streets (1); and airport (5). Decreases in budgeted positions for the ten years occurred in engineering (2); community development (0.22 FTE); and recreation (0.78 FTE). For the ten year period beginning in 2008, the General Fund budgeted positions increased by eight while the other funds increased by six positions. (See Table 8-5 on next page.)

Table 8-5
CITY OF HAZLETON
Total Budgeted City Employees
Eleven Year Budgeted Positions by Department 2008 – 2018
(As of March 2018)

Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change
Council	5	5	5	5	5	5	5	5	5	5	5	0
Mayor	2	2	2	2	2	2	2	2	2	2	2	0
Administration	3	3	3	3	3	3	3	3	3	3	3	0
Solicitor	0	0	0	0	0	0	0	1	0	0	0	0
City Clerk	1	1	1	1	1	1	1	1	1	1	1	0
Payroll	1	1	1	1	1	1	1	1	1	1	1	0
Engineering	3	4	4	5	4	1	1	1	1	1	1	-2
Building & Grounds	2	2	2	2	2	2	6	4	3	2	2	0
Police	44	43	42	46	42	43	42	42	45	43	45	1
Fire	21	21	21	21	21	21	21	21	21	21	21	0
Parking Enforcement	0	0	0	0	0	0	0	0	0	7	6	6
Code/Lic./Health/Pkg	6	6	6	9	9	8	9	12	13	8	8	2
Streets	13	13	12	13	12	12	15	12	13	14	14	1
Garage	4	4	4	4	4	4	4	4	4	3	4	0
Total General Fund	**105**	**105**	**103**	**112**	**106**	**103**	**110**	**109**	**112**	**111**	**113**	**8**
Recreation	12	12	11	10	11	10	11	8	11.22	9.22	11.22	-0.78
Airport	0	0	0	0	0	2	4	4	4	6	5	5
Community Development	3	4	3	3	3	3	2	2	2.78	2.78	2.78	-0.22
Public Transit	3	2	2	3	2	4	5	5	4	5	5	2
Total Other Funds	**18**	**18**	**16**	**16**	**16**	**19**	**22**	**19**	**22**	**23**	**24**	**6**
Total City	**123**	**123**	**119**	**128**	**122**	**122**	**132**	**128**	**134**	**134**	**137**	**14**

Longevity

All City employees receive longevity increments at a rate of 1.0% for every two years of service. Police, Fire, Streets and Management are capped at 10%, while City Hall employees earn an additional 1% at 25 years and at 30 years for a maximum of 12%.

Paid Leave

All City employees receive significant amounts of paid leave or pay for time not worked. Paid leave includes - the ability to take time off for vacation, personal days, sick leave or other reasons while receiving full compensation. At a minimum paid leave indirectly increases the cost of City services. When employees use paid leave, there may be a reduction in the level of service provided or another employee may be called to fill the resulting vacancy, often requiring paid overtime. As a result, the City often pays for the same service twice – once for the regularly scheduled employee who is on leave and again at time-and-one-half for the employee working overtime. (See Table 8-6.)

Table 8-6
CITY OF HAZLETON
Paid Time Off by Department

Group	Holidays	Personal Days	
City Hall	15 named holidays	4	
Management	Follow Bargaining Group or City Hall schedule	4	
Streets	15 named holidays	5	
Police	One day per month (12 total); paid 1.5 times regular rate for work on Easter, Thanksgiving, Christmas Day, New Year's Day	4	
Fire	12 named holidays.	**Years of Service**	**Days**
		0-5	2
		6-10	3
		11-15	4
		16-20+	5

Vacation Leave:

City Hall employees receive paid vacation leave as follows:

After one year	10 days
After three years	15 days
After ten years	20 days
After twenty years	25 days

Police employees receive paid vacation leave as follows:

After 1 year	5 days
After 2 years	10 days
After 3 years	15 days
After 6 years	20 days
After 20 years	25 days

Fire employees receive paid vacation leave as follows:

After 1 year	14 days
After 5 years	18 days
20 years or more	22 days

Highway employees receive paid vacation leave as follows:

After 1 year	5 days	After 10 years	20 days
After 2 years	10 days	After 16 years	21 days
After 5 years	15 days	After 17 years	22 days
After 6 years	16 days	After 18 years	23 days
After 7 years	17 days	After 19 years	24 days
After 8 years	18 days	After 20 years	25 days
After 9 years	19 days		

Non-represented employees receive paid vacation leave as follows:

At Date of Hire	15 days
After 15 years	20 days
After 20 years	25 days

Sick Leave:

Group	Annual Accrual	Maximum Accrual	Payout at separation
Management	12	145	$50 per day
City Hall	15	210	$50 per day
Streets	14	180	$70 per day
Police Hired Prior to 01/01/2012	20	220	50% current rate
Police Hired Post 01/01/2012	16	220	50% current rate
Fire	20	220	50% current rate

Sick Leave Cash Bonus:

In an effort to reduce the amount of sick days used for annually the bargaining agreements include an incentive for not using sick time in the current year.

	Payout for Sick Days Used			
Group	**0**	**1**	**2**	**3**
Management	$300	$200	$100	n/a
City Hall	$500	$400	$275	$200
Streets	$500	$400	$275	$200
Police	$800	$600	$400	$200
Fire	$300	$200	$150	$100

Healthcare

The City provides generous health insurance coverage to its employees with minimal employee contributions. The cost of providing health insurance and health benefits is a large component of personnel expenditures. The City provides basic health, hospitalization, major medical, prescription, dental and vision insurance benefits. Healthcare benefits cost between $1.2 million in 2013 to $1.8 million in 2017, which accounted for 13.9% to 18.7% of total General Fund Expenses, respectively. All City employees currently contribute to health insurance cost.

Employee Group	Contribution	% of Premium Single	% of Premium Family	% of Base Pay
Management hired prior to 07.01.2015	$20 Monthly/$240 annually	2.6%	1.0%	0.3% - 0.9%
Management hired after to 07.01.2015	10% of Premium	10.0%	10.0%	1.2% - 8.6%
City Hall	$20 Monthly/$240 annually	2.6%	1.0%	0.6% - 1.2%
Public Works[1/]	7% of Premium	7%	7%	1.1% - 4.4%
[1/]Premium share increases to 8% in 2019, then to 10% in 2020.				
Fire	$260 Annually	2.9%	1.1%	0.5%
Police hired After Jan 1, 2018	$30 Bi Weekly/$780 annually	8.6%	3.3%	1.7%
Police hired Jan 1, 2012 - Dec 31, 2017	$20 Bi Weekly/$520 annually	5.7%	2.2%	0.8%
Police hired prior to Jan 1, 2012	$20 Monthly/$240 annually	2.6%	1.0%	0.4%

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. A second way that employees share the cost of their health benefits is by making payment when they receive service through a copayment, deductible, coinsurance or some other mechanism. Nationally and regionally governments are moving toward implementing cost sharing for employees who do not have it or making it more significant for those who do. The Qualified High Deductible Health Plan and HSA represent significant steps in this direction.

Pension Provisions

The City's pension plans, particularly the police pension plan, has caused the Coordinator concern about the accuracy of pension benefits, particularly the manner of how some City employee's pension benefits have been calculated. During the period that the Coordinator prepared this Recovery Plan, considerable time has been spent attempting to address and fully understand these City pension issues. The City's financing of its pension plans are based upon biennial valuations which establish the City's annual Minimum Municipal Obligations for each City pension plan. It is imperative that the actuarial assumptions and benefits set forth in the biennial valuation are correct so that the MMO will adequately fund the City's pension plans. If some City employee's pension benefits are being incorrectly calculated and the claimed method for pension calculations is not set forth in the biennial valuation, then the City's MMO may increase accordingly because pension benefits may be paid out at a higher rate, which is not

consistent with the pension plan's actuarial assumptions. The City needs to create pension documents which correctly set forth the benefits of each pension plan and the manner of calculating an employee's pension benefits, all in conformity with the Third-Class City Code and other applicable laws and regulations. The City needs to work with its collective bargaining units to address these uncertainties.

The City's pension plans have been determined to be distressed, pursuant to the provisions of Act 205 of 1984, as amended. The City has already taken advantage of one of the provisions set forth in Act 205 to assist municipalities with distressed pension plans, by enacting an increased earned income tax on residents and non-residents. This increased earned income tax places an additional tax burden on the residents of the City. It also establishes a tax burden on non-residents who work in the City. The power to tax non-residents is an extraordinary remedy and is infrequently authorized by the Pennsylvania General Assembly. For example, a Home Rule municipality does not have the power to tax non-residents, including their earned income. This extraordinary authorization to tax non-residents should be considered by the City as temporary in nature.

Police Pension

Article 29 of the Collective Bargaining Agreement between the City and the FOP provides for three police pension plans—Plan A, Plan B, and Plan C. There are no presently-working police officers covered by Plan A or B. Therefore, all active police officers working for the City are covered by Plan C. The Collective Bargaining Agreement states:

> Plan C. All other police officers currently employed by the City of Hazelton have elected Plan C. The Plan C benefits shall be a pension not to exceed 50% of *total salary*. There shall also be an annual cost-of-living adjustment of three percent (3%) of the annual pension payment, provided, however, that the annual cost of living adjustments shall not exceed the police officer's contractual base pay during the last year of employment with the City. (Emphasis added).

Although, Plan C has been in existence for many years, during 2017 the City and the FOP have debated over the meaning of "total salary". It is not the intention of the Coordinator to

attempt to resolve that debate. However, the City and the FOP need to resolve their differing interpretation of this term through negotiation or, if necessary, Act 111 grievance arbitration.

The actuarial assumptions and benefits stated in the biennial valuation of the City's police pension plan allow for the calculation of pension benefits at the rate of 50% of "total salary." According to the pension plan's actuarial assumptions, "total salary" does not include overtime since it is not a fixed amount paid in regular increments. Thus, the City funds its police pension plan assuming that "total salary" includes only the base salary of the police officer, rank differential, shift differential, and longevity. The FOP is claiming that "total salary" includes overtime and that a police officer's pension should be calculated based upon his or her total W-2 wages. If a police officer's salary is calculated based upon total W-2 wages that may represent a police pension benefit modification. According to Act 205, since the inclusion of overtime is not currently assumed by the actuary in the police pension plan actuarial assumptions, such a benefit modification would require an actuarial cost study. An Act 205 actuarial cost study would provide the City with the amount of increase to the unfunded liability of the police pension plan and the corresponding increase in the City's annual police pension MMO. As of the writing of this Recovery Plan the Coordinator is not aware that an Act 205 actuarial cost study has been completed for this potential benefit modification.

In November 2017, the City's Aggregated Pension Board voted to calculate police pensions based upon a police officers' total W-2 earnings. It is unclear what legal authority the Pension Board relied upon to make this decision, but only City Council, as the governing body of the City, has the authority to approve and enact a pension benefit modification under Act 205. Also under Act 205, City Council cannot enact such a pension plan modification without the requisite Act 205 actuarial cost study performed by the City's actuary.

The above issue is further confused by the fact that City police officers have never contributed to the police pension plan based upon their total W-2 earnings. They have contributed to the police pension plan based upon the actuarial assumptions of the pension plan concerning the meaning of "total salary" as interpreted by the City's actuary. Therefore, they have contributed to the pension plan based upon their base salary, rank differential, shift differential, and longevity, and not their overtime.

It is recommended that the City's actuary continue to perform all police pension benefit calculations for retiring police officers based upon the pension plan's actuarial assumptions and stated pension provisions. If the FOP wants to pursue its claim that the pension calculation

should include a police officer's W-2 earnings, or overtime, then that issue will need to be resolved through negotiation or the Act 111 grievance arbitration process.

The Collective Bargaining Agreement further provides that post-retirement healthcare shall be eliminated for all officers hired after January 1, 2007. Prior to January 1, 2007, the collective bargaining agreement provided for full healthcare for a retiree and his or her family, without cost to the retiree. The City should consider the creation of a trust fund to fully fund this post-retirement medical benefit for police officers hired prior to January 1, 2007. This funding should include an actuarial study of the increase in healthcare cost during the projected lifetime of the officers in questions.

Firefighter Pension

The Collective Bargaining Agreement between the City and IAFF provides for three different pension calculations based upon a firefighter's date of hire. However, with respect to all three different pension calculations, it is clear that "final average salary" includes base pay, longevity pay, night shift differential, and overtime pay. Therefore, the interpretational issue that besets the police pension plan is not present with the firefighter pension plan.

Collective Bargaining

The City, like many other communities throughout the Commonwealth, has experienced a significant decrease in the number of employees over the last twenty years. For example, the City's Department of Public Works presently has seventeen (17) employees when, twenty years ago, Public Works had 34-36 employees. Clearly, as a financially distressed municipality the City cannot afford to hire additional employees. Nor can the City afford to provide its employees with the same level of benefits, e.g., liberal amounts of paid time off and costly health care insurance, as it in the past. Thus, it is necessary for the City's workforce to continue to employ productive and efficient practices as they provide services to the City's residents and taxpayers.

As previously, mentioned, the City has four (4) collective bargaining agreements with its employees. These agreements are as follows: Police, Fire, Public Works, and City Hall. These collective bargaining agreements were reviewed by the Coordinator in order to identify workforce issues and offer recommendations which can assist in alleviating the City's financial distress. The Coordinator recognizes the necessity of the cooperation of members of the City's

collective bargaining units in implementing many of the recommendations identified in this Chapter. It is imperative that the City and its collective bargaining units make a good faith effort to implement these recommendations to ensure the City's long-term financial stability to continue providing City employees with an acceptable level of salary and benefits.

Recommendations Regarding Adjustments to the City's Collective Bargaining Agreements

Collective Bargaining Agreement between Fraternal Order of Police, Lodge #18 and the City of Hazleton (duration January 1, 2012 – December 31, 2018 including Memorandum of Understanding adopted by City Council in February 2018).

The City and the Fraternal Order of Police, Lodge #18, (FOP) will be bargaining in 2018 for a collective bargaining agreement to commence January 1, 2019. The contract issues identified in this section, especially healthcare, rank structure, and paid time off, can be addressed as part of the collective bargaining process.

- Article 4 – Heart and Lung Act. This article provides that a police officer on heart and lung benefits shall receive "…in addition to full pay, any and all other benefits, premium pay or fringe benefits due each police officer." The Pennsylvania Heart and Lung Act provides that a police officer who is temporarily incapacitated from performing his duties as a result of a work-related incident shall continue to receive "salary". The Heart and Lung Act does not provide for a continuation of other benefits, premium pay or fringe benefits. Police officers on heart and lung benefits receive their salary, tax free. If police officers receive more than their salary, tax free, it frequently creates a situation where police officers do not want to come back to work. **Therefore, the City should comply with the Heart and Lung Act by providing only "salary" to its police officers who are injured in the line of duty. The payout of anything more than "salary" should be eliminated.**

- Article 7 – Work Rules. This Article specifies that, if the City wants to change departmental rules and regulations, that the City must, if the FOP requests to, negotiate such issues. If the parties are unable to agree to a change in departmental rules and regulations then the matter is submitted to binding arbitration under Act 111. This Article does not recognize the management rights of the City to promulgate rules and

regulations, which are not mandatory subjects of bargaining. If the City wants to change a rule and regulation —which is a matter of inherent managerial policy and therefore, not negotiable— it should be able to do to. The City should provide the FOP with notice of the proposed rules and regulations, but the City should not be required to proceed to binding arbitration over issues which are not mandatory subjects of bargaining.

- Article 9 – Union President. This Article gives the FOP President and other Union officers, up to 32 days of paid leave per year for attendance at FOP meetings. This Article covers interest arbitration, contract negotiations, and "preparation therefor under Act 111." The City should not be paying police officers for preparation for Act 111 interest arbitration against the City, the Act 111 hearing itself or contract negotiations. The City should not be involved with the internal affairs of the Union. This Article should be eliminated in its entirety.

- Article 12 – Longevity. This Article provides for longevity at one (1) percent for every two (2) years of service to a maximum of ten percent (10%) after twenty (20) years. This longevity schedule should be contained, based upon the following:
    (a) provide that there shall be no longevity for the first six (6) years of employment (the same period of time it takes a newly-hired police officer to reach top rate on the pay scale).
    (b) provide a totally new longevity schedule for newly-hired police officers which caps longevity at five percent (5%) with no longevity during the first six (6) years of service.

- Article 13 – Rank Differential. This Article clearly illustrates what was previously discussed in Chapter 4. The City is paying for unnecessary supervision for a department of this size and for specialization that it does not necessarily need. Any special appointments to rank should be completely at the discretion of the Chief of Police.

- Article 14 – Detective. It is an honor to be appointed to detective. The appointment to the position of detective should be at the discretion of the Chief of Police. Currently, the selection of a Detective is restricted to currently employed Hazleton police officers.

Detectives should be removed at the discretion of the Chief of Police without just cause or due process. Currently, after a one year probationary period a detective can only be removed for just cause.

- Article 17 – Work Scheduling. Section 17.2 specifies a mandatory schedule of three (3) uniformed officers on patrol at all times. This minimum manning requirement should not be in the Collective Bargain Agreement. It may be the policy of the City of Hazleton Police Department to attempt to maintain a minimum of three (3) officers on patrol at all times. This policy may be a very important safety concern. However, for various reasons it may not always be possible to maintain this minimum manning, especially on the overnight shift. The number of police officers on duty is a matter of inherent managerial policy and not a mandatory subject of bargaining.

- Article 18 – Court Time. Section 18.1.1 provides for payment of time and a half for a minimum of four (4) hours for a police officer's attendance at labor or civil matters. This section should not apply if the police officer is called to testify by the FOP. This section should only apply if the police officer is called to testify by the City. There should not be a minimum of four (4) hours for labor or civil matters. If a police officer is subpoenaed to testify in a civil case, the party providing the subpoena should pay the police officer his appropriate rate of pay for attendance at the court proceeding. In that event, the City should not have to make payment to the police officer. This pay matter is normally handled by the attorney who issues the subpoena to compel the attendance of the police officer at the civil hearing. It may be possible for police officers to be receiving double pay for the attendance at a civil case and the City should further investigate this matter.

- Article 19 – Distribution of Contract. To require the City to pay for the photocopying and distribution of the Police Contract to all members of the bargaining unit is unwarranted. The FOP should pay for the distribution of the police contract to its members. Similarly, it should not be in the Collective Bargaining Agreement for the City to provide offices, and janitorial services, to the FOP. This practice may be acceptable now but it should not be a subject under the contract. The City should not be involved with the internal affairs of the FOP.

- Article 22 - Vacation Time. Vacation time should be reduced, in particular receiving four (4) weeks of vacation after six (6) years of service and five (5) weeks of vacation after twenty (20) years of service. At a minimum, a new vacation schedule should be negotiated for newly-hired police officers based upon the following:
    - all newly-hired police officers should receive one week (5 work days) paid vacation at the start of the new calendar year from the date of hire.
    - Two weeks (10 work days) after three calendar years of service.
    - Three weeks (15 work days) after the tenth calendar year of service.
    - Four weeks (20 work days) after 20 years of service.

- Article 25 – Sick leave. Police officers hired before January 1, 2012 receive twenty (20) sick days per annum, which can be considered excessive. Police officers hired after January 1 2012, receive sixteen (16) sick days per annum, which also may be excessive. Sick leave should be reduced to twelve (12) sick days per year, especially for new hires. Police officers are allowed to accumulate up to 220 unused sick days, which is clearly excessive. Accumulated unused sick leave should be reduced to 120 days. There is a 50% buy out of unused sick leave upon retirement. This practice should be eliminated for new hires. Sick leave buy out definition includes "premium pay" and it is unclear what this term means. This term should be eliminated or at least clarified. The accumulation of sick leave is a benefit which gives full pay to a police officer who is off work as a result of an illness or disability which is not work-related. Thus, police officers should not be paid sick leave if they are not sick. The payment for sick leave upon retirement should not be included in the calculation of a police officer retirement benefits, except to the extent it was accrued during the period of time used for pension calculation purposes. (See Auditor General Bulletin 2001-01).

- Article 26 – Holidays. Police officers receive twelve (12) paid holidays each year. Police officers also receive four (4) personal days pursuant to Article 23. There is no requirement for taking single vacation, holiday, or personal days, which specifies that such requested days off may be denied if it leaves a shift short of police officers that would require overtime. The Police Department should not have scheduled overtime as a

normal practice. A police officer calling off sick is a different matter, but an officer should not be able to take a vacation day, holiday, or personal day if, in fact, taking the day will leave the shift short of adequate manpower and incur "scheduled" overtime. The Chief of Police should have discretion to schedule the manpower of the Police Department to meet the needs of the Department and the safety of the community. If a police officer requests a single day off on a day which will cause a shift manpower shortage the Chief of Police should have the discretion to deny the request.

Holidays should be reduced to ten (10) holidays. If a police officer works on a holiday, he or she should get paid time and a half for that day. If the police officer is not scheduled to work on a holiday, he or she should receive holiday pay at straight time. Again, it is imperative for the City to control its employees paid time off in order to make the Department more productive and efficient to better serve the needs of the community.

- Article 27 - Stand-by pay. This section should be eliminated. Police officers, by definition, need to be available for call out if a situation arises, without being paid standby pay. The Chief of Police advises that this Article has been applied so that a police officer receives a minimum of four (4) hours if he or she is actually called to work, but this is not how the Article reads. It states that a police officer receives time and a half for a minimum of four (4) hours "…when a police officer is restricted as to where the police officer may go, or what he may do, in order that the police officer may return quickly to duty upon call." This Article needs to be eliminated or, at least, amended to reflect the current application.

- Article 28: Health Insurance. Police Officers employed by the City receive a generous health insurance package from the City, which includes:
    - Blue Cross of Northeastern Pennsylvania First Priority Health Plan HMO for the police officer and family
    - A three-tier prescription drug and chiropractic plan for the police officer and family
    - Family vision insurance
    - Prescription drug rebate in the amount of $200.00 per year
    - Family Delta Dental Insurance Plan.

Police officers contribute a nominal amount toward their health insurance. Police officers hired before January 1, 2012 pay $20.00 per month or $240 per year. Police officers hired after January 1, 2012 pay $20.00 per pay period or $520 per year toward their health insurance. Police officers hired after January 1, 2018 pay $30 per pay period, or $780 per year. For comparison, the City cost for health care for single person coverage is approximately $10,000 per year; family coverage costs the City approximately $24,000 per year per covered employee. At the maximum new rate of $780 per year, an employee will contribute approximately three (3) percent for family coverage and approximately eight (8) percent for single employee coverage.

- Article 35 – Rank of Chief of Police. The position of Chief of Police should be removed from the Collective Bargaining Agreement. If necessary, the City should initiate proceedings before the Pennsylvania Labor Relations Board in order to have the Chief of Police removed from the Bargaining Agreement. The Chief needs to be a management-level employee of the City appointed by the Mayor. There is no question that a Chief of Police, in a department consisting of 40 police officers, should be excluded from the Bargaining Agreement based upon decisions of the Pennsylvania Labor Relations Board. The terms and conditions of employment for the Chief of Police may be covered by a Memorandum of Employment. It is possible for the Chief of Police to receive the same benefits as other police officers, but any reference to the Chief of Police should be eliminated from the Collective Bargaining Agreement.

- Article 39 and 40 – Civil Service Testing and Promotions. The subject of Civil Service Testing and Promotions should not be covered by the Collective Bargaining Agreement. Civil Service Test and Promotions are governed by the Third-Class City Code and are not mandatory subjects of bargaining. The City should determine the qualifications for the ranking officers including the number of ranking officers. Similarly, the Civil Service testing procedures and manner of appointment is governed by Pennsylvania law and should not be in the Collective Bargaining Agreement.

- Article 41 – Grievance procedures. It is recommended that the arbitration clause in the Grievance Procedure be amended to state that the parties shall request a list from the

Pennsylvania Bureau of Mediation of seven (7) possible arbitrators, as opposed to three (3) possible arbitrators from the American Arbitration Association. This change will reduce the cost of arbitration for both the City and the FOP. The Pennsylvania Bureau of Mediation usually supplies a list of seven (7) local regional arbitrators for free.

- Article 46 - Mandatory Minimum Rank Structure. As previously noted, the ranks within the City of Hazleton Police Department, and the number of officers serving in each rank are matters of inherent managerial policy. This includes the decision on whether to fill a vacancy in any of these positions. This also includes the assignments of ranking officers. This Article should be eliminated from the Collective Bargaining Agreement.

- Twelve (12) hour shifts. Based upon discussions with the Chief of Police, the City is considering changing the current eight (8) hour/five (5) days a week schedule for police officers to a twelve (12) hour shift schedule. The twelve (12) hour shift is very beneficial to police officers. Instead of working 10 days every two (2) weeks, the police officers work seven (7) days allowing for more days off spent with their families and more time to decompress from their duties.

  There are many details involved with switching to a twelve (12) hour shift and should be done as part of the Act 111 bargaining process. The twelve (12) hour schedule being considered — known as the Pittman Schedule — is a fourteen (14) day schedule, as follows:

First Week

M	**T**	**W**	**Th**	**F**	**Sat.**	**Sun.**
work	work	off	off	work	work	work

Second Week

M	**T**	**W**	**Th**	**F**	**Sat.**	**Sun.**
off	off	work	work	off	off	off

Based upon this schedule, police officers would work 84 hours (7x12) every 14 days. Working an average of 42 hours/week is permissible under the Fair Labor Standards Act (FLSA). The FLSA allows 84 hours in a two (2) week period without the payment of overtime for the extra two (2) hours per week.

One of the issues which must be addressed is the conversion of paid time off from an eight (8) hours schedule to a twelve (12) hour schedule. Otherwise, police officers would

receive an additional 50% paid time off. The hours of paid leave should essentially remain the same. This Recovery Plan strongly recommends that paid time off be reduced regardless of a change from an eight to twelve hour schedule.

Collective Bargaining Between International Association of Fire Fighters Local No. 507 and the City of Hazleton (duration January 1, 2015 – December 31, 2021).

The City of Hazleton Fire Department is a combined fire department consisting of paid firefighter and volunteers. Presently, the paid Fire Department consists of the Fire Chief, two Deputy Chiefs, and eighteen (18) firefighters who are all drivers. The Volunteer Force has many members with 24 active volunteer firefighters. The relationship between the paid firefighters and the volunteer firefighters is described as being very positive. The Fire Chief, the leadership of the Fire Department, and all others involved in the process, are given credit for maintaining a good working relationship between the paid and volunteer firefighters. Some communities throughout Pennsylvania are in need of a combined fire force but are unable to reach that goal primarily because it is difficult to maintain an appropriate level of volunteer firefighters. A combined fire department cannot exist without the complete cooperation and support of a paid department. It appears that the City has in fact created a model combined Fire Department. For a fire call, one ladder truck and two engines (all driven by the paid firefighters), along with the Fire Chief, respond to the call. Volunteers also respond to the fire call, thereby establishing the combined response. Fire suppression along with rescue operations are completed on incidents by both career and volunteer firefighters of the City. Career firefighters on duty do not wait for arrival of the volunteers but immediately begin suppression and rescue operations.

The following issues should be addressed in the firefighter contract:

- Article 7: Vacancies – Job Openings. This Article makes it clear that the Fire Chief and Deputy Chief are appointed by the Mayor. There are presently two (2) Deputy Chiefs and 18 firefighters. There are no other ranks within the Fire Department. All paid firefighters are drivers and all firefighters have their appropriate certifications. Approximately fifteen (15) of the eighteen (18) paid firefighters are also emergency medical technicians (EMT). This Article also provides that the Chief and Deputy Chief shall receive all benefits of the Agreement. In the future, consideration should be given

to removing the Fire Chief from the Bargaining Unit and addressing his terms and conditions of his employment in a separate Memorandum of Employment.

- Article 8 – Sick Leave. Firefighters presently receive twenty (20) sick days per year, which may be accumulated up to 220 days. As with the Police contract, this benefit can be considered excessive, and that the number of sick days should be reduced. Since firefighters work either ten (10) hour or fourteen (14) hour shifts, these twenty (20) sick days result in a greater number of hours off work.

- Article 9 – Hours of Duty. Presently, firefighters work the following schedule:

  Daylight – Ten Hours
  Daylight – Ten hours
  Night sift – 14 hours
  Night shift-14 hours
  4 days off

  This eight-day schedule repeats itself. Accordingly, firefighters work up to 48 hours in a given week for their salary. The Collective Bargaining Agreement should be amended to reflect the current schedule that is being worked by firefighters. The Collective Bargaining Agreement currently states that the weekly hours shall be 42 work hours during the term of this contract unless otherwise negotiated during said term.

- Article 12 – Leaves for Union Affairs. The City should not provide paid leave for union activities. Simply put, the City should have no involvement with the internal affairs of the International Association of Firefighters. The City should not provide paid leave to attend National and State Firefighter Conventions.

- Article 13 – Insurance Covering Paid Firemen. Firefighters employed by the City receive a generous health insurance package from the City, which includes:
  - Blue Cross of Northeastern Pennsylvania First Priority Health Plan HMO - individual and family coverage
  - A three-tier prescription drug and chiropractic plan – individual and family coverage
  - Family vision insurance

- Prescription drug rebate in the amount of $200.00 per year
- Family Delta Dental Insurance Plan.

Firefighters contribute a nominal amount toward their health insurance. Firefighters contribute $260 per year toward their healthcare. For comparison, the City cost for health care for single person coverage is approximately $10,000 per year; family coverage costs the City approximately $24,000 per year per covered employee. At the maximum rate of $260 per year, an employee will contribute approximately one (1) percent for family coverage and approximately three (3) percent for single employee coverage.

Additionally, the firefighters currently have retiree health insurance for the retiree and spouse. The City should eliminate this benefit for new hires.

- Articles 16 and 17 – Holidays and Vacation. Firefighters receive twelve (12) paid holidays which are added to their vacations. Firefighters receive up to five (5) personal days and up to 22 vacation days. Therefore, firefighters receive up to 39 paid days off from work per year, not including sick days. This amount of paid time off may be considered excessive, especially given the number of hours in a shift worked by the firefighters (average of twelve (12) hour shifts or more than an eight (8) hour day).

- Article 19 – Longevity. Firefighters receive up to ten (10) percent of his or her yearly salary as longevity. Longevity is paid at the rate of one percent for every two years of service and is capped at ten percent. A new longevity schedule for newly-hired firefighters should be negotiated. Newly-hired firefighters should not receive any longevity for the first five (5) years of service. Longevity should be capped at a maximum of five (5) percent after fifteen (15) years of service.

- Article 20 – Grievance Procedure. It is recommended that the list of arbitrators be obtained from the Pennsylvania Bureau of Mediation rather than the American Arbitration Association.

- Article 27 – Severance Pay. This Article provides for a 50% buy out of sick leave upon retirement or other termination of employment. There should not be any buy out of sick leave upon termination of employment. The buy out for retirement presently could cost

the city in excess of $31,000 if a firefighter has accumulated the maximum of 220 days. It is recommended that this retirement buyout be eliminated completely for newly-hired firefighters. The City should also attempt to negotiate a lower retirement sick leave buyout for current employees.

- Article 30 – EMS Service. The Fire Department presently has three (3) paramedics and approximately twelve (12) Emergency Medical Technicians on its force. The leadership of the Fire Department has expressed an interest in continuing discussions with the City concerning the performance of EMS services for citizens of the City by members of the Fire Fighter Bargaining Unit. Presently, the City has a private EMS service provider. Obviously, the City would need more paramedics to provide this service, but the City already has an adequate number of Emergency Medical Technicians. There are many details in this process, including medical command and EMS vehicles, but there is also a revenue component to providing EMS services, in the form of insurance billing and direct billing of residences for ambulance services. The Coordinator cautions the City that any agreement to have the Fire Department perform EMS services should be self-sustaining without the City incurring new, unfunded expenses in the Fire Department's annual budget.

- Article 32 – Fire Department Consolidation. This Article apparently is in the Collective Bargaining Agreement as a result of discussions the City had with neighboring municipalities concerning the consolidation of Fire Departments. Consolidation of fire Departments is encouraged, and the Fire Department is duly recognized for its willingness to engage in these discussions.

Collective Bargaining Agreement Between Service Employees International Union Local #473,32BJ and the City of Hazleton (Public Works) (duration January 1, 2017 – December 21, 2021).

The following issues should be addressed in the Public Works Contract:

- Article II – Recognition – Section 4. The probationary period should be extended from three (3) months to six (6) months for all full-time employees in order to give the City a better opportunity to evaluate new employees.

- Article VI – Hospitalization and Life Insurance. Public Works employees presently contribute six (6) percent to their health insurance. The current Collective Bargaining Agreement for the Public Works employees extends through 12/31/21. The Public Works Union is presently making a percentage premium share of seven (7) percent of the health care premium in 2018 increasing to 10 percent in 2020. This level of contribution should be seen as a model for the other bargaining units. The City should continue to work with the Public Works bargaining unit concerning the cost of healthcare, by considering different plans and health insurance municipal cooperatives, different levels of coverages, and plan design in order to provide good healthcare coverage to the employees at an affordable cost to the City and the Public Works employees. Retiree health insurance benefits were eliminated for employees hired after January 1, 2000.

- Article VII – Holidays. Public Works employees receive fifteen (15) holidays and five (5) personal days. This should be reduced to ten (10) holidays and three (3) personal days for newly-hired employees.

- Article VIII – Sick Leave. Public Works employees receive fourteen (14) sick days per year and they accumulate up to 180 days. The sick days should be reduced to twelve (12) per year for newly-hired employees. The accumulation should be reduced to 120 days for newly-hired employees. The payout for unused sick days at $70 per day should be eliminated for new hires. Employees on Workers Compensation benefits are paid their full salary during their first year of compensation. This is contrary to Pennsylvania Workers Compensation Law, which essentially provides for the payment of 66.67 percent of an employee's salary. This provision should be eliminated. Workers Compensation is the sole benefit in Pennsylvania for a work-related injury.

- Article IX – Vacation. After twenty (20) years of service, an employee receives five (5) weeks of vacation. A new vacation schedule should be negotiated for newly-hired employees, which provides for three (3) weeks after ten (10) years of service and four (4) weeks after twenty (20) years of service. The five (5) weeks should be eliminated. Public Works employees are prohibited from accumulating and carrying over from year

to year unused vacation time. However, the Public Works contract provides that the City reimburse an employee for unused annual vacation time at rate of $80.00 per day provided that certain conditions are satisfied. There should be no payment to employees for unused annual vacation days. Vacation days must be taken in the calendar year they are given without payment for unused vacation time.

- Article X – Longevity. Employees receive up to ten present (10 percent) for longevity. This should be reduced though negotiations for current employees. For newly-hired employees, there should be no longevity for the first five (5) years of employment. Longevity should not exceed five (5) percent for an employee with 20 years of service, for newly-hired employees.

- Article XVI – General Provisions. Section 14 of this Article states that at no time shall the number of skilled laborers be double (or twice) the number of truck drivers. This Section violates the management rights of the City. It is a matter of inherent managerial policy for the City to be able to determine the number of skilled laborers and truck drivers that it employs at any time. This Section should be removed from the Labor Contract. The Director of Public Works reports that presently this Section does not cause difficulty for the City. The City currently employs five (5) skilled laborers, three (3) truck drivers, and three (3) equipment operators. The Director of Public Works also reports that, when necessary, the truck drivers and equipment operators will perform the duties of a skilled laborer. Truck drivers presently receive 41 cents (.41¢) per hour more than skilled laborers. Equipment operators presently receive 51 cents (.51¢) per hour more than skilled laborers.

- Article XXII – Part-time Employees. This Article restricts the City's ability to use part-time employees. For example, this Article states that the number of part-time employees on any shift shall be limited to 15 percent of the total number of full-time employees on the same shift. This Article also states that the City cannot use part-time employees until it has offered overtime to all of the full-time employees. These Sections of the Contract, which restrict the ability of the City to use part-time employees, should be renegotiated or deleted from the agreement. It is understood that the City cannot use part-time

employees if any full-time employees have been laid-off. Otherwise, the City should be able to use part-time employees to supplement full-time employees. Other restrictions should be eliminated. The Director of Public Works reports that the City is having trouble employing part-time employees especially for snow removal. Part-time employees are presently paid $14.00 per hour. The Director recommends that the part-time hourly rate be increased to $16.00 per hour in order to attract additional part-time employees for snow-removal purposes.

Collective Bargaining Agreement between Service Employees International Union 668 and the City of Hazleton (City Hall Employees) (duration January 1, 2012 – December 31, 2016).

The City Hall employees have been working under a continuation of the collective bargaining agreement which expired on December 31, 2016. No new Labor Contract was negotiated during 2017. The following are recommendations concerning the City Hall employees Labor Contract.

- Article VI – Hospitalization and Life Insurance. City Hall employees pay $20 per month towards their healthcare. Employees hired after January 1, 2007 were entitled to receive an annual stipend, which was used to pay for health insurance benefits. The stipend was $350 per month for single-coverage and $650 per month toward dependent coverage. The maximum stipend was eliminated by City Resolution 2015 – 60 on June 16, 2015, and replaced by an employee copay of $20.00/month. It is unclear why this provision of the contract was significantly changed in the middle of the contract, or what was the consideration for this change.

  As part of future contract negotiations, a discussion of the cost of the City's employee health insurance should be a primary topic. While City Hall employees should continue to receive valuable health, dental, vision and prescription drug insurance coverages from the City, it is also imperative that the City reduce its cost through employee contributions toward their health insurance premiums. City Hall Employees should cooperate with the City on examining other insurance coverages and plan design, in order to contain the City's increasing cost for employee healthcare insurance. For comparison, the City cost for health care for single person coverage is approximately $10,000 per year; family coverage costs the City approximately $24,000 per year per covered employee. At the maximum rate of $240 per year, an

employee will contribute approximately one (1) percent for family coverage and approximately two and a half (2.5) percent for single employee coverage toward the City's overall annual cost.

Section 3 provides for retiree life insurance in the amount of $7,500. This Section states that the parties agree that bargaining unit employees will receive the same benefits equal to all other City unionized employees. This parity sentence should be eliminated. Each collective contract should be separately negotiated without a "me too" or parity clause.

- Article VII and Article IX – Holidays and Vacations. City Hall employees receive nineteen (19) holidays, which includes four (4) personal days; and up to five (5) weeks of vacation after twenty (20) years of service. Therefore, City Hall employees receive up to 44 days of paid leave. This should be reduced through contract negotiations to ten (10) holidays, two (2) personal days, and a maximum of four (4) weeks of vacation after twenty (20) years of service. Also, for new hires, these benefits should be reduced to begin the reduction of future costs for the City.

- Article VIII – Sick Leave. City Hall employees also receive fifteen (15) sick days per year, which can be accumulated to a maximum of 210 days. This should be reduced through negotiations to twelve (12) days per year and ten (10) days per year for newly-hired employees. The accumulation of sick days should be limited to 120 days. City Hall employees are paid $50 per day upon retirement for accumulated sick leave. Accumulated sick leave is a benefit to employees to cover the employees for a non-occupational illness or disability so that they can continue to receive salary. The payment of sick leave upon retirement should be eliminated, especially for newly-hired employees.

- Article X – Longevity. City Hall employees receive eleven percent (11 percent) longevity after 24 years of service and twelve percent (12 percent) after 29 years of service. This longevity should be reduced through negotiation to no more than seven percent (7 percent). There should be no longevity for the first five (5) years of

employment with the City. This benefit should be reduced for newly-hired employees.

- Article XVI- Grievance Procedure. It is recommended that an arbitration list be obtained from the Pennsylvania Bureau of Mediation rather than the American Arbitration Association. The Pennsylvania Bureau of Mediation provides a free list of arbitrators.

- Article XX – Wages. This Section states that a starting rate of $20,000 is established. The City has had difficulty attracting qualified employees at a starting rate of $20,000. The City should be able to establish a starting rate for newly-hired employees who will then receive the agreed upon across-the-board wage increases per the Labor Contract.

Recovery Plan Compliance with Act 133 of 2012

As required by Act 133 of 2012 (Act 133), which amended Act 47, the Coordinator is required to provide an aggregate limit on expenditures for each individual collective bargaining unit for the current fiscal year and the next three years. The expenditure limits were developed to offer each collective bargaining unit and the City an opportunity to actively participate in collective bargaining negotiations that produce an outcome consistent with the purpose of Act 47 and the amendments thereto. With limited exceptions for arbitration settlements rendered pursuant to Act 111 of 1968 (the Policemen and Firemen Collective Bargaining Act), any future collective bargaining agreement or memorandum of understanding or any amendment to any current collective bargaining agreement or memorandum of understanding agreed to by the City and any of its collective bargain units or any future arbitration settlement or adjustment rendered shall not exceed the expenditure limits provided in this Recovery Plan. The expenditure limits contained herein shall become applicable upon the City's adoption of this Recovery Plan.

The expenditure limits include the following assumptions which may be changed through collective bargaining but the total expenditures are not to exceed the total limits for each bargaining unit as provided in this Recovery Plan. The individual expenditure categories are included within the "baseline" total with the following assumptions used to calculate the yearly amounts.

- The number of personnel is held constant at the 2018 Operating Budget workforce level.
- Current wages have been increased as specified in collective bargaining agreements, memorandum of understanding, interest arbitration awards or court orders. At the conclusion of the current collective bargaining agreement, memorandum of understanding or arbitration award, wages are anticipated to increase two percent annually for all bargaining units.
- Category of "Incentive Pay" is held constant at the 2018 budget amount.
- Longevity salary has been increased as specified in any current collective bargaining agreement, memorandum of agreement, interest arbitration award or court orders.
- Overtime salary is held constant at the 2018 budget amount.
- Uniform allowances are held at the 2018 budget amount.
- Employee medical insurance expenditures were increased annually by six percent from 2019 through 2022 in conformance with recently observed City experience and similar annual increases projected for other local government entities.
- Life insurance is held at 2018 Budget level.
- Social Security costs have been increased by the rate of any increase in underlying salaries and wages.

The following maximum expenditure limits for each City collective bargaining unit and group of employees shall be effective upon adoption of this Recovery Plan and shall remain in effect until this Recovery Plan is amended, is replaced by an emergency action plan pursuant to Chapter 6 of Act 47 or the City's distress determination is terminated.

Fraternal Order of Police
Power City Lodge #18

Police	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Salary & Wages	$2,758,435	$2,860,847	$2,964,889	$3,024,187	$3,084,671
Incentive Pay	24,400	24,400	24,400	24,400	24,400
Longevity	117,115	131,265	146,670	161,992	178,705
Overtime	230,000	230,000	230,000	230,000	230,000
Shift Differential	25,000	25,000	25,000	25,000	25,000
Court Pay	20,000	20,000	20,000	20,000	20,000
Medicare	46,037	47,727	49,459	50,541	51,660
Medical	821,558	870,851	923,103	978,489	1,037,198
Life Insurance	1,425	1,425	1,425	1,425	1,425
Uniform Allowance	25,200	25,200	25,200	25,200	25,200
Total Police Expenditure	**$4,069,170**	**$4,236,716**	**$4,410,145**	**$4,541,234**	**$4,678,259**

International Association of Fire Fighters
Local 507

Fire	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Salary & Wages	$1,080,104	$1,114,848	$1,150,705	$1,185,226	$1,208,931
Incentive Pay	5,250	5,250	5,250	5,250	5,250
Longevity	88,004	95,264	102,766	110,191	116,593
Overtime	64,000	64,000	64,000	64,000	64,000
Shift Differential	36,000	36,000	36,000	36,000	36,000
Medicare	18,464	19,073	19,701	20,310	20,746
Medical	476,962	505,580	535,915	568,069	602,154
Life Insurance	1,400	1,400	1,400	1,400	1,400
Uniform Allowance	10,500	10,500	10,500	10,500	10,500
Turnout Gear	15,000	15,000	15,000	15,000	15,000
Total Fire Expenditure	**$1,780,684**	**$1,851,915**	**$1,926,236**	**$2,000,946**	**$2,065,573**

Service Employees International Union
Local No. 473, 32BJ

PUBLIC WORKS	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Salary & Wages	$900,294	$919,543	$947,663	$966,975	$986,123
Incentive Pay	6,400	6,400	6,400	6,400	6,400
Longevity	63,270	65,749	68,376	71,160	74,112
Overtime	53,500	53,500	53,500	53,500	53,500
Shift Differential	675	675	675	675	675
Social Security	78,347	80,009	82,361	84,051	85,742
Medical	397,048	420,871	446,123	472,891	501,264
Life Insurance	1,341	1,341	1,341	1,341	1,341
Uniform Allowance	0	0	0	0	0
Total Public Works Expenditure	**$1,500,875**	**$1,548,087**	**$1,606,439**	**$1,656,993**	**$1,709,156**

Service Employees International Union
Local No. 668 (City Hall Employees)

City Hall	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Salary & Wages	$434,210	$442,894	$451,752	$460,787	$470,003
Incentive Pay	2,200	2,200	2,200	2,200	2,200
Longevity	11,383	11,611	11,843	12,080	12,321
Overtime	3,000	3,000	3,000	3,000	3,000
Shift Differential	0	0	0	0	0
Social Security	34,486	35,167	35,863	36,572	37,296
Medical	137,503	145,573	154,128	163,195	172,807
Life Insurance	1,080	1,080	1,080	1,080	1,080
Uniform Allowance	0	0	0	0	0
Total City Hall Expenditure	**$623,862**	**$641,525**	**$659,865**	**$678,914**	**$698,707**

Workforce Initiatives

As previously stated, employee expenditures are a function of the total number of employees and the cost per employee, as determined by the current compensation level (salary/wage and benefits) and the future growth of these costs. Given that employee expenditures represent such a large percentage of the City's total expenditures and revenues, the total number of City employees and employee compensation (salaries/wages and benefits) must be controlled in order to contain the City's structural deficit and restore the City's fiscal health. Thereafter, these costs must be carefully managed in order to maintain the City's fiscal health. The growth in employee compensation costs must be kept in line with the growth of City's revenues. Unless future employee-related costs are maintained at affordable levels, the City will risk continued financial distress to the detriment of all parties, including City employees.

The coordinator recommends the following initiates related to workforce.

WF-1 Implement a Position/Hiring Freeze.

For fiscal years 2018 and 2019, the City shall not increase the employee count beyond those budgeted in the 2018 General Fund budget, unless otherwise required under this Recovery Plan. The City may reallocate, combine, or create new positions so that the new employee count does not exceed the 2018 budgeted count.

For fiscal years 2020 through 2022, any new employee positions, unless otherwise required under this Recovery Plan, shall not be created without corresponding increased revenues for that position or corresponding expenditure savings through attrition or other means.

Regardless of fiscal year, all new positions intended by the City must be approved by the Coordinator prior to the creation of that position.

WF-2 Review and Negotiate the *Recommendations Regarding Adjustments to the City' Collective Bargaining Agreements* identified by the Coordinator as Part of the City's Future Collective Bargaining Negotiations.

WF-3 Comply with the Act 133 Expenditure Limits for future Collective Bargaining Agreements.

As the City's various collective bargaining agreements expire, the City shall comply with the expenditures limits required by Act 133, which expenditure limits shall become operative upon the adoption of this Recovery Plan and shall thereafter be applicable to all future collective bargaining agreements approved by the City.

CHAPTER 9
PENSIONS

As noted in the Workforce and Collective Bargaining Chapter of this Recovery Plan, the City's pension plans, particularly the police pension plan, has caused the Coordinator concern. The Coordinator's concerns were highlighted in that Chapter but this section will analyze areas of administrative concern regarding the manner in which the City's pensions are administered. The administrative concerns are important because an administrative error can impact the pension benefits provided by the City as well as the cost and the consistency of such benefits. A benefit that is inflated due to an administrative error can cause an unnecessary expenditure of pension funds and an increase in the City's annual funding requirement, referred to as the Minimum Municipal Obligation (MMO).

After reviewing these issues, it is the Coordinator's conclusion that the City must clarify any administrative uncertainties and, where necessary work with its collective bargaining units to implement corrective action. The City's pension documents should be revised and amended to properly reflect benefits that conform to those negotiated between the City and its employees and applicable law, and to create an administrative structure that helps to avoid future funding or benefit miscalculations.

Enacted in 1984, the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. Section 895.101 et seq. (commonly referred to as Act 205) established mandatory actuarial reporting and funding requirements and provided a uniform basis for distributing state aid. Based on the most recent audit performed under Act 205 by the Pennsylvania Department of the Auditor General (DAG), the City's pension plans have been deemed to be in distressed status. The DAG also noted that it was "extremely concerned" about the decreasing funding status of the City's pension plans and the drastic increase in the City's annual MMO since 2007. The initiatives contained in this chapter are intended to help the City improve the administrative provisions of the City's pension plans.

<u>Pension Administration Initiatives</u>

PEN-1 Define Limited Powers of Aggregated Pension Board.

Act 205 provides that a municipality with more than one pension plan for its employees and pension funds associated with those pension plans, "may

aggregate the assets to the credit of the various pension funds into a single pension trust fund. Subsequent to the aggregation, the pension trust fund shall be the funding mechanism for all pension plans connected with the aggregation." 53 Pa. Stat. Ann. § 895.607. Pursuant to § 607 of Act 205, the City has created an Aggregated Pension Board ("Aggregated Board") to serve as a common investment and administrative agent for the police and fire pension plans. The purpose of the Aggregated Board is to take advantage of economies of scale by reducing the number of administrative vendors and actuaries associated with each of the pension plans and to be better able to manage the funds.

The City's Aggregated Board was created by the enactment of Ordinance 87-23 on September 27, 1987. Shortly thereafter, the composition of the Aggregated Board was slightly altered through Ordinance 89-20 so that the Aggregated Board now consists of the City's Mayor, Business Administrator, Chief of Police (or designee), Chief of Fire (or designee), the City Council President and one member of Police Pension Plan and the Fire Pension Plan.[1]

It is the recommendation of the Coordinator that the composition and designated duties of the Aggregated Board be reexamined and clarified. Under section 602 of the City's Administrative Code, appropriations from the City treasury must be approved by City Council. Section 603 outlines the Mayor's authority regarding contractual commitments of the City. Thus, the overall expenditures of the City are the responsibility of the City and cannot and should not be designated to the Aggregated Board. Any decision regarding the provision, extension or

[1] Section 607 of Act 205 provides that the Aggregated pension trust fund "shall be managed by a board of trustees. The board of trustees shall include at least one representative of the active membership of each pension plan included in the Aggregated pension trust fund, who shall be elected by the active membership of the applicable pension plan. The remaining members of the board of trustees shall be drawn from the managing boards or entities of the associated pension plans, in a number equal to the members elected by the employees. If there is a deadlock, the members of the managing boards or entities shall mutually agree upon a member of the general public to cast the deciding vote." 53 Pa. Stat. Ann. § 895.607 (West).

enhancement of pension benefits has a direct impact on those expenditures.[2] The current Aggregated Board appears to have assumed powers in excess of those authorized by and appropriate under the law.

As noted in the Workforce Chapter of this Recovery Plan, in November 2017, the Aggregated Pension Board voted to calculate police pensions based upon a police officers' total W-2 earnings. There are significant legal issues surrounding the Board's authority to make this decision, as noted in the Workforce Chapter. From a financial perspective, this decision would increase the City's pension costs.

To further highlight the need to better define the Aggregated Board's authority, on November 15, 2017, a resolution was introduced in City Council which characterized the Aggregated Board as an "independent Board consisting of eight (8) members, only one of which is a member of City Council." The proposed Resolution also noted that the actions of the Aggregated Board would "negatively impact the City of Hazelton's finances." The Resolution sought the resolve of City Council to appeal the November 2017 decision of the Aggregated Board, but the Resolution did not pass.

The Aggregated Board's decision to include overtime in the police pension benefit appears to be based on legal support that is questionable. Further, as noted above, there appears to be no authority for the Aggregated Board to make this decision or to bind the City to such an increased expenditure in the first instance. While the existing pension ordinances do not clearly define the duties of the Pension Board, it is the Coordinator's view that under Pennsylvania law only the City Council has such authority. The Board can only act through a delegation of

[2] Likewise, the Third Class City Code clarifies that the police and fire pension funds are under the direction and control of council but may be committed to the custody and management of an officer of the city or to a trustee or Board of Managers. However, any such trustee or Board of Managers is clearly controlled by representatives of the City. See 11 Pa. Stat. and Cons. Stat. Ann. §§ 14301(b)(4)(5) and 14320(d) (West)

authority from City Council and no such authority has been delegated to the Aggregated Board by Act 205 or the City. Further, it is at best unclear if City Council could lawfully delegate that authority to an "independent board."

To avoid such a scenario in the future, the City should update and clarify its pension ordinance to clearly define the role of the Aggregated Board so that the powers delegated to that Board are consistent with the administration and management of the pension funds, as noted in Act 205. The Aggregated Board should not have authority to grant or to bind the City and its taxpayers to any modification, determination, or clarification of pension benefits or pension language. Such actions are directly tied to the expenditures of the City and must be determined in accordance with Act 205 and the City's Administrative Code and form of government. The authorized duties of the Aggregated Board should be limited to those related to being a common investment and administrative agent for the City's aggregated pension plans, not creating, modifying, or interpreting pension benefits. Further, the City should require that any decision regarding the investment of funds are vetted by professional advisors and approved by Council.

As noted in the Workforce and Collective Bargaining Chapter of this Recovery Plan, issues and questions also have arisen regarding whether pension benefits are being calculated in the correct manner and whether the actuary has all of the necessary information for determining the plans' actuarial assumptions. Thus, it is the recommendation of the Coordinator that the Aggregated Board utilize the actuary in the determination and calculation of all pension benefits. It is imperative that accurate benefits are being provided. Further, once the duties of the Aggregated Board are clarified, the Aggregated Board should meet regularly with the plans' actuary. The actuary and legal counsel should participate in all meetings of the Aggregated Board. It does not appear that the plans' actuaries are regularly consulted or involved in the Aggregated Board's meetings, when they occur.

It is also recommended that all pension benefits *previously* granted to current retirees be reviewed by the Aggregated Board and the City's actuary. It is imperative that all pension benefits granted by the City match and do not exceed those identified in the City's pension ordinances and applicable collective bargaining agreements. The Aggregated Board and actuary must insure that the actuary is and has been provided with the accurate benefit descriptions and is using the accurate benefit descriptions to determine the funding requirements of the Aggregated Plans. If errors were made, the City will have to evaluate an approach to correct those errors.

Further, the City should develop an appeal procedure and appellate board, consistent with the Local Agency Law, for any party, including the City, to appeal any final decision of the Aggregated Board regarding its decisions relating to an incorrectly calculated pension. That appellate board should include one representative for the two pension plans and three City appointed representatives. This appeal board will review any final decisions made by the Aggregated Board, as described above. The appeal can be taken by the beneficiary, any spouse of a beneficiary who is entitled to an immediate benefit, or the City. This appeal procedure should also be incorporated in the new pension ordinance and future collective bargaining agreements to allow for pension disputes to be resolved before a panel with more targeted pension expertise than an arbitrator and in a less expensive and more prompt manner. This will require collective bargaining and consultation with the City's labor counsel.

PEN-2 Clarify Pension Benefits; Adopt Clarified Pension Ordinance; Separate Pension Counsel for Aggregated Pension Board; and Designate a Labor Management Administrator.

It is also recommended that the City embark on a process to clarify and update its pension ordinances. As noted in the Workforce Chapter, the various pension plans provide benefit structures applicable to current or future employees. Other sections of the ordinances appear behind outdated versions of the same section which have been amended. There is an assortment of ordinances that compose the City's pension "ordinance". Such a situation leads to confusion and should be

corrected. The City should work with its actuary and utilize legal counsel versed in public sector pension law to develop and finalize a new pension ordinance which accurately codifies the current benefits and incorporates the initiatives of this Recovery Plan. The Coordinator recognizes that to achieve this goal, the City will have to consult with its unions and work with its labor counsel on some issues and tough decisions may have to be made with respect to how pension counsel and the actuary define pension benefits. The purpose is to codify the pension plans in a clear ordinance or ordinances. The purpose of this codification is not to alter or change pension benefits without any required collective bargaining.

The City should retain separate legal counsel for the Aggregated Board in order to insure that all of its decisions are consistent with the new pension ordinance. Counsel to the Aggregated Board would ideally work for the Board only, would attend all meetings, and be involved in all Board decisions. The new Aggregated Board counsel should work in the development of the new pension ordinance along with the Aggregated Board members and the City.

To assist the City with the forgoing recommendations regarding the clarification of the pension benefits and the future administration of those benefits, the City should consider hiring or designating an employee to work as a human resources director and/or a labor management director. This could be a stand-alone position or be included with the duties of another re-organized position, but there should be an employee on the management level under the direction of the Mayor (pursuant to the City's Administrative Code) or the Director of Administration that will administer pension benefits. This person should also administer OPEB benefits, payroll, centralize the disciplinary and internal investigatory process, administer Equal Employment Opportunity policies, organizing training, and perform other human resources functions. In a city the size of Hazelton with a unionized workforce, it is necessary to have a person experienced, qualified and knowledgeable in the area of benefits, human resources, and labor relations on the City's staff. Such a position also will provide consistency and help to develop

and maintain institutional knowledge regarding pension benefits, OPEB benefits, payroll issues, disciplinary issues and other workplace issues. This administrative information is currently missing from the City on a consistent basis and this position, if properly designed and implemented, will provide the City with the tools to fill the gaps in these areas in the future.

PEN-3 Maintain Statutory Compliance with Act 205 Earned Income Tax Revenue.

As noted earlier, the City's pension plans have been determined to be distressed, pursuant to the provisions of the Act 205. For some time, the City has taken advantage of a provision in Act 205 that allows municipalities with distressed pension plans to enact an increased earned income tax (EIT) on residents and non-residents, under certain conditions, as referenced in the Act. This increased earned income tax places an additional tax burden on the residents of the City and non-residents who work in the City. The revenues from an Act 205 tax must be used exclusively to fund the City's distressed pension plans. In this regard, Act 205 provides:

> If the tax rates set by the municipality on earned income or on real property are at the maximum provided by applicable law, *the municipality may increase its tax on either earned income or real property above those maximum rates. The proceeds of this special municipal tax increase shall be used* ***solely*** *to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality*. The municipality utilizing this special municipal taxing authority shall not reduce the level of municipal contributions to the pension plans prior to the implementation of the special municipal taxing authority.

53 Pa. Stat. Ann. § 895.607 (emphasis added).

The City appears to be in compliance with this provision as it related to all revenue currently being collected pursuant to this provision. However, several years ago, reportedly as part of a reconciliation of accounts from a previous auditor, a sum of tax revenue was identified, the source of which was unclear as to whether this money emanated from the increased EIT permitted under Act 205. Thus, the City kept this money in a separate fund. In recent years, transfers have

been made from the account and deposited in the Aggregated Pension Fund and it is expected that the last such transfer will be made this year or next and the separate fund will then be fully incorporated into the Pension Fund. However, in the years between the discovery of the lump sum and the transfer of that amount to the pension fund, the City has used the Act 205 balance of funds as interim financing for the City's budget within a fiscal year. This transfer actually helped the City avoid taking a yearly tax anticipation note and reportedly was approved by the City's counsel at the time.[3] Transfers were made to the City's general fund but repaid to the Act 205 Fund with interest.[4]

The Coordinator did not examine the reports of the transfers, but even though the City reportedly received the green light from its counsel and the Commonwealth for this practice, it appears that this practice by the City was at best ill-advised and risky. To the extent any balance of funds remain in the Act 205 Fund in the future, those funds should be used to pay the City's pension obligations if the City believes that the fund includes revenue from the Act 205 enhanced EIT. Such money must be used "***solely*** *to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality*." 53 Pa. Stat. Ann. § 895.607 (West) (emphasis added). The Coordinator cannot determine if the City's previous practice was contrary to that requirement because any money used for any other purpose was returned to the Act 205 Fund with interest within the year it was transferred out, but the continuation of that practice is not recommended.

PEN-4 Obtain Actuarial Recognition of Pension and OPEB Funding.

The City provides post-retirement health benefits to its public safety and non-uniformed employees. The benefits are often referred to as other post-employment benefits (OPEB). Those benefits are provided pursuant to the terms of collective bargaining agreements between the City and the applicable collective

[3] A copy of this opinion was requested but was not provided by the City at the time of this writing.
[4] The City's actuary had no knowledge of this practice or of the existence of funds in a lump sum fund.

bargaining units. Those benefits are identified and discussed in the Workforce Chapter of this Recovery Plan.

The City's OPEB benefits are studied by the City's actuary in accordance with the Government Accounting Standards Board Statement 45 (GASB 45). GASB 45 has specific guidelines that are utilized by the City's actuary to determine, the City's unfunded liabilities and funding requirement for its OPEB benefits. In essence, GASB 45 calculates the City's funding requirements needed for the City to be able to pay the OPEB benefits to all of its employees when due, similar or analogous to the way the City funds it pension liabilities. However, the funding assumptions and accounting requirements of the GASB 45 standard are different than those found in Act 205.[5]

For years, the City has elected to aggregate its OPEB liabilities for its uniformed employees (police and fire) with its pension benefit liabilities for the purposes of state aid and funding available under Act 205. The Pennsylvania legislature clarified this practice in 2009 with the passage of Act 44, which amended Act 205. Now, Act 205 provides the following:

> Beginning January 1, 2010, and continuing for each year thereafter, the special municipal tax authorized in subsection (f) may no longer be assessed or used for any purpose other than to defray the additional costs required to be paid pursuant to this act and which are directly related to the pension plans of the municipality and which are included in the calculation of the financial requirements of the pension plan and the minimum municipal obligation. If the municipality assesses or utilizes the

[5] As of the fiscal year commencing after June 15, 2017, GASB 45 is being eliminated and replaced with a new standard, GASB 75. GASB 45 and GASB 75 serve the same purpose of valuing an entity's OPEBs. Both Standards require a calculation of a present liability for future non-pension benefits for employees and retirees, also known as the "Actuarial Accrued Liability" in GASB 45 and the "Total OPEB Liability" in GASB 75. The two standards differ in how the liability is disclosed on financial statements. GASB 45 recognizes the liability within a footnote of the financial statements, with only a portion of the total liability going on the book through the Net OPEB Obligation. GASB 75 does away with the Net OPEB Obligation, requiring the full liability to be recognized immediately on the balance sheet. GASB 45 also provided ambiguity regarding the discount rate used in the study. GASB 75 eliminates this ambiguity, providing a specific external index to set the discount rate. This rate will be lower in many if not all cases which will result in an increase in liabilities from the rate typically used under GASB 45.

> special municipal tax increase to fund other post-employment benefits, the cost of those benefits shall be subject to the actuarial funding and reporting standards of this act. 53 Pa. Stat. Ann. § 895.607(f) (1).

Subsequent to the passage of section 607(f)(1) of Act 205, the use of revenue from the enhanced EIT under Act 205 to offset OPEB costs or to fund such costs was deemed permissible but only if the municipality included the funding of those benefits in its actuarial funding reports required by Act 205. As a result, the City's practice is authorized under Act 205 as long as it complies with the reporting requirements as stated above.

The issue, however, is whether the practice is advisable. It is the Coordinator's understanding that the actuary was not consulted in recent years, and possibly even before the practice was commenced, to determine the fiscal advantage to the practice. The Coordinator recommends that the City work with its actuary to determine the financial benefit of continuing this practice. This issue should be studied now and periodically in the future.

There are advantages to the City's practice, particularly with the use of the enhanced Act 205 EIT tax. However, there are several points to keep clear while analyzing the utility of this practice. While including the OPEB costs in the Act 205 study results in the funding of the OPEB benefits, which is an advantage to the City and its employees entitled to the OPEB benefits, the OPEBs are not being funded fully as envisioned by GASB 45. The reason for that difference is based on the fact that the valuation assumptions under GASB 45 are not the same as those under Act 205. One significant difference is the rate of return (i.e. interest rate) assumption permitted under Act 205 and the discount rate assumption under GASB 45. The assumed rate under GASB 45 is more stringent or lower which would increase the required contribution. Since the City has to use the Act 205 assumptions when completing its Act 205 reports, the amount deposited in the

pension fund is less than the annual required contribution to fund the benefits that would be required if the GASB 45 funding requirement was used.[6]

The inclusion of the OPEB liability in the pension fund and Act 205 reports will most likely not result in more state aid because the City has reached its maximum allowable Act 205 state aid reimbursement. It could be argued, however, that it is likely to reduce the funding percentage of the pension plan. As a result, the funding ratio of the pension plans, without OPEB liabilities is actually greater than that stated. However, the bottom line is that the City is ultimately liable for the pension benefits and the OPEB benefits. Thus, it is not practical simply to ignore the OPEB liability. As long as the actuary and other City consultants determine that the continuation of this practice is advantageous to the City, it should consider continuing this practice. This analysis will include not only how the use of the EIT helps the funding of the benefits but also the impact the Act 205 EIT tax may have on the City's current and future economic well-being and development and growth. The City also has to consider and plan for when the City pension plans are no longer distressed and the City cannot take advantage of the enhanced EIT under Act 205.

[6] While the benefits are not being fully funded under GASB 45, the fact that the City is funding them at all, and in this case funding them to a significant level, is more than can be said for most municipalities in the Commonwealth, particularly fiscally distressed municipalities that are operating under Act 47. Funding OPEB benefits is good for the City and its employees.

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CHAPTER 10
ECONOMIC DEVELOPMENT

History and Background

The City of Hazleton was incorporated as a borough in 1857, and incorporated as a city in 1891. Hazleton has historically been and continues to be the second largest city in Luzerne County, and the City has been the historic hub of social and economic activity in the southern portion of Luzerne County (as well as adjacent parts of Carbon and Schuylkill Counties).

Through the middle of the 20th century, the City was an economic hub for the anthracite coal mining industry. However, significant decline in the coal mining industry led to a shift towards other industries. Due to the City's location at the confluence of Interstates 80 and 81, and with close proximity to other major highways, railways, and airports, the areas around the City have become home to several industrial and business parks with strong representation of manufacturing, transportation, and warehousing industries.

More recently, the City has experienced a demographic change, with an influx of new residents of Hispanic/Latino background. A significant portion of the economic activity in the Greater Hazleton area has moved outside the City's limits. Together, these factors have contributed to the erosion of the City's tax base and its challenged economic condition.

Economic Development Infrastructure

There are several organizations responsible for economic development in and around Hazleton. Greater Hazleton CAN DO is an economic development entity that has worked in the area for over 60 years. CAN DO serves as a developer, builder, landlord, facilitator, utility provider, and business liaison to attract businesses to the area. CAN DO developed and manages several industrial parks in the Greater Hazleton area: Humboldt, McAdoo, and Valmont Industrial Parks as well as the CAN DO Corporate Center. All of these facilities are located outside of the City. CAN DO is also certified by DCED to administer state funds for business financial assistance. Finally, CAN DO operates a business incubator, CAN BE, also located outside of the City's limits. CAN DO does have a physical presence in the City: the Renaissance Center, a four story office building that houses CAN DO's headquarters as well as other tenants.

The Greater Hazleton Chamber of Commerce is a membership-driven organization providing services to businesses throughout the Greater Hazleton area. The Chamber has

approximately 650 members throughout the region. The Chamber's affiliates also include the Greater Hazleton Civic Partnership and Rails to Trails, which is focused on quality of life issues in the region, the Mountain Council of Governments, and Leadership Hazleton.

The City also engages in economic development. The City has a full time director of community and economic development. That role includes responsibilities beyond economic development. While the City has limited resources and no specific programs aimed at business attraction, retention, or growth, the City does work with businesses on an ad-hoc basis to help them connect with financial assistance and other support services through resources such as DCED and the Wilkes University Small Business Development Center.

These players work collaboratively towards economic development goals in the City and the broader region, though they have differing scopes: the Chamber and CAN DO encompass the City as well as surrounding townships and boroughs. These organizations do work together, as several have overlaps in board membership as well as shared responsibility for various initiatives.

Downtown Hazleton Alliance for Progress (DHAP) is one initiative that reflects collaboration between economic development stakeholders. DHAP is focused on economic development downtown and is a DCED Main Street program. DHAP's ongoing activities include First Fridays, a farmers market, and a façade matching grant program that has resulted in $100,000 in combined public and private investment in the downtown area thus far.

The City has not recently engaged in specific long-range planning efforts. The City's most recent comprehensive plan was prepared in 1992. There is also no Citywide economic development strategy or plan in place. However, DHAP did commission an economic development plan specific to the downtown in 2015. The resulting Downtown Hazleton Strategic Plan for Revitalization includes an analysis of demographic and economic trends and identified a number of downtown development goals and priorities.

Land Use Regulation, Permits, and Licenses

Stakeholders interviewed had differing opinions about the level of burden posed by regulations, permits, and licensing for businesses in the City. Some stated that regulations and processes were not overly burdensome, but some did perceive that the zoning ordinance is out of date and in need of revision. The last zoning ordinance was adopted in 1995. Many have expressed optimism that processes are improving due to staffing changes within City Hall. One

City official mentioned that working with outside consultants for building inspections was a barrier to timely permitting; several stakeholders mentioned that they believed steps were being taken to bring these processes in-house at City Hall.

The City's zoning ordinance has only two major commercial zoning districts: a central commercial district, which allows for dense commercial and mixed uses appropriate to the downtown, and a highway commercial district that is applied to some undeveloped areas of the City as well as existing commercial or mixed use arterial streets outside the downtown. There is also a more restrictive professional office district designation that is not widely applied. Large portions of the undeveloped areas adjacent to the Greater Hazleton Chamber of Commerce Beltway are zoned for general industrial uses, which is reasonably permissive to allow for industrial development.

Taxation

One concern among stakeholders interviewed were tax levels in the City. They were seen as a potential source of competitive disadvantage to the City. Taxes are an operating expense that businesses critically evaluate when deciding on which side of a municipal boundary to locate.

The table below shows municipal tax levels as of 2017, sourced from the Pennsylvania Department of Community and Economic Development. School district taxes, which are the same across all municipalities in the school district, are not included in the rates presented. In all areas, Hazleton's tax rates are higher than its neighbors, usually by a considerable margin. The City also levies a mercantile tax, while neighboring municipalities do not. (See Table 10-1.)

Table 10-1
CITY OF HAZLETON
Selected Municipal Tax Rates
2017

	Hazleton City	**Butler Township**	**Hazle Township**	**Sugarloaf Township**	**West Hazleton Borough**
Total Muni Real Estate (Mills)	**4.5100**	0.9551	0.7500	1.3500	4.3800
Total EIT Resident (percent)	**1.35%**	0.50%	0.50%	0.50%	0.50%
Total EIT Non-Resident (percent)	**1.85%**	1.00%	1.00%	1.00%	1.00%
Realty Transfer Tax (percent)	**0.50%**	0.50%	0.50%	0.50%	0.50%
Mercantile/Business Privilege - Wholesale (mills)	**1.0000**	-	-	-	-
Mercantile/Business Privilege - Retail (mills)	**1.0000**	-	-	-	-
Mercantile/Business Privilege - Other (mills)	**2.0000**	-	-	-	-

Only municipal taxes are included, Hazleton Area School District rates are not included.

Among the specific taxes levied by the City, it was the City's mercantile tax that was most cited by interviewed stakeholders as a challenge to economic development. As a legacy City with extensive and aging infrastructure, pension obligations, and a full complement of public services, the City is not well positioned to compete with surrounding municipalities based on tax rates; it will need to pursue other avenues of competitive advantage in order to achieve economic development.

Regional Fragmentation and Development Outside City Limits

The City spans approximately six square miles of land area; surrounding land falls within the municipalities of West Hazleton Borough and Hazle Township. The City is largely built out; at the City's Northern and Western boundaries, developed neighborhoods extend to and across the municipal boundaries. As with many legacy cities, the second half of the 20th century was marked by suburbanization and decentralization of jobs and residents. The City's limited land area coupled with the large undeveloped land area of several neighboring townships creates an uncompetitive economic development environment for the City.

Unsurprisingly, a large share of the region's economic development over the last several decades has occurred outside the City's boundaries. The region's major industrial parks are all located outside of the City, as is the Laurel Mall and most of the area's largest retail destinations. The region's airport[1] and the campus of Penn State Hazleton are also located outside the City. Among a listing of employers of more than 300 employees in the Greater Hazleton area, only two of 16 are located within or partly within the City: the Hazleton Area School District and the Lehigh Valley Hospital – Hazleton.[2]

Growth of Transportation and Warehousing Industries

Throughout Luzerne County, there have been many new warehouses constructed in industrial parks in Hazle Township, Hanover Township, Pittston Township, and elsewhere. According to Census Bureau Business Patterns data, the number of establishments in the transportation and warehousing industry grew from 272 in 2008 to 284 in 2015; employment in

[1] The City owns the land, runway, buildings, fixtures and equipment comprising the airport and is known as the sponsor.
[2] http://www.hazletoncando.com/community-data/top-employers

the industry saw an even more significant growth – 66 percent, or an addition of over 4,300 jobs countywide.[3] This trend has affected the Greater Hazleton area.

According to the same data source, the number of establishments in the transportation and warehousing industry more than doubled from 17 in 2004 to 38 in 2015 in the ZIP Code 18202, which includes the Valmont and Humboldt Industrial Parks. The Humboldt Industrial Park in Hazle Township has been a particularly active site of development in this industry in recent years.

This economic growth has not significantly impacted the City as the transportation and warehousing industry represents just 155 jobs in the City – less than 2 percent of all jobs in the City.[4] This economic development outside the City limits, however, provides the City with opportunities. Among workers at primary jobs in Hazle Township, 21 percent live in the City of Hazleton, a larger share than any other municipality by a significant margin.[5] The City may be a position to achieve economic development as a population center by providing shopping, services, and entertainment and recreation to those workers who work in the growing industrial centers around the City.

Availability of Suitable Land for Development or Redevelopment

As a result of the regional fragmentation described above, undeveloped land within the City limits is relatively limited. Further, some of the existing undeveloped land is unsuitable for development due to topographical or environmental reasons, or would require costly site work to become suitable. However, there is some more readily developable land that could be suited to industry in the southern half of the City. Much of this land located along parts of South Church Street (State Route 309) and within ½ mile of the Greater Hazleton Chamber of Commerce Beltway (State Route 424). This likely represents nearly all land available in the City that would support new greenfield development of the type that has been recently seen in neighboring townships, such as warehouses, highway commercial, and light industrial uses.

There are also opportunities for economic development in the built-out commercial areas of the City: while some stakeholders have reported that some neighborhoods (particularly Wyoming Street) have seen a falling commercial vacancy rate, there are still vacant buildings

[3] U.S. Census Bureau County Business Patterns (2008 to 2015), accessed via factfinder.census.gov
[4] Chmura Economics, accessed via JobsEQ
[5] U.S. Census Bureau Longitudinal Employer-Household Dynamics, accessed via OnTheMap

and vacant ground floor and upper floor spaces in the downtown. There are further opportunities for commercial or mixed use infill development in other areas of the City.

There are several larger buildings in the downtown area that remain underutilized or in need of redevelopment. Many stakeholders have reported that many existing buildings in the City need expensive renovation in order to be reused successfully. There are also numerous surface parking lots in the downtown area that could be leveraged for denser and more productive uses provided that parking demand can be met in other ways.

Access to Capital

Due to limited resources available, the City does not offer any specific economic development finance programs; however, there are multiple sources of capital for business relocation or expansion at the county and state levels. CAN DO, a DCED certified economic development organization (CEDO), serves as a conduit for various state funded financing opportunities. Because CAN DO serves the entire Greater Hazleton region, these opportunities are not specific to the City.

Similarly, the City as well as surrounding areas is served by the Ben Franklin Technology Partners of Northeastern Pennsylvania, which invests in early stage technology firms and established manufacturing firms, and the Wilkes University Small Business Development Center, which provides various forms of technical assistance to small businesses.

Though the City appears well served by financial institutions; there are several located within the downtown area, and numerous banks serve the Greater Hazleton area. However, one stakeholder mentioned that access may not be sufficient among the Latino business community due to a lack of Spanish speakers in local financial institutions.

Demographic Shifts and Changing Market

Since 2000, the City has seen a significant shift in the demographic makeup of its population. While less than 5 percent of the City's population identified as Hispanic or Latino (of any race) in the 2000 census, the most current estimates have shown that Latinos have grown to over 50 percent of the City's population. Further, residents who speak Spanish at home make up about 49 percent of the City's population, and among those, 54 percent speak English less than "very well."[6]

[6] U.S. Census Bureau American Community Survey 5-year estimates, 2016. Accessed via Factfinder.

In addition to impacts that this trend has had on public services, education, and all other aspects of the community, the City's changing population is impacting its economy. Several stakeholders interviewed described changes along the Wyoming Street business district in particular. Though the corridor previously had numerous vacant storefronts, it was reported that many businesses catering to Latino residents had opened. This trend is evident elsewhere in the City as well; there are a number of multi-services offices, Hispanic and Caribbean food restaurants, and neighborhood grocery stores that target Latino customers. Promoting and cultivating this type of entrepreneurship among City residents likely represents an important facet of the City's future economic development, especially as Latinos now represent the majority of City residents.

Blight and Crime

Several stakeholders expressed concern that blight and safety concerns, whether real or perceived, are negatively impacting economic development in the City. Reducing blight can result in increased City revenues by returning properties to the tax rolls; additionally, reducing blight and the perception of crime can make communities a more appealing place to shop, dine, or do business.

Several programs, such as Farmers Markets, Historic Walking Tours, and First Fridays, are being used to address perception issues programmatically. Further economic development in downtown and other commercial districts can address blight by creating more vibrant places.

Workforce

Stakeholders interviewed expressed several potential challenges in workforce development. One business owner mentioned that filling openings can be difficult. Another business owner perceives a lack of tradespeople and suggested that apprenticeship programs would help address the issue. Another stakeholder interviewed said that despite there being enough employees to fill openings, there are some challenges in matching workers to jobs because some have hesitated to accept low wage work and other employees are hesitant to climb into supervisory roles.

There presently is local infrastructure in place for workforce development. Several higher education institutions have a presence in Downtown Hazleton: Lackawanna College and Luzerne County Community College, which offer a variety of postsecondary programs and GED

coursework. There is also a PA CareerLink employment center within the City that offers workforce programs to help dislocated workers back to the workforce. Hazleton Area High School also hosts the YES program, which gives high school seniors instruction in employability skills.

Parking

Several stakeholders mentioned that the perception of parking difficulties may be hindering economic development downtown. It was stated that parking fees are not necessarily an issue; the current parking charges are competitive with other similar cities. However, it was stated that enforcement is very aggressive, which may be a disincentive to patronize businesses downtown. There also may be an opportunity for more signage to direct drivers to public parking and inform them of parking fees and regulations. A detailed assessment of the City's parking system is provided in Chapter 7, Authorities and Enterprises.

Recent Developments

Several stakeholders mentioned that there is positive momentum around economic development in the City, and both City officials and business owners interviewed seemed optimistic. Implementation is underway on the Downtown Hazleton Strategic Plan, and several key sites in the downtown area are currently under redevelopment, including a public park at Broad and Laurel Streets, an Arts Center that will house the Greater Hazleton Arts League, and a technology and innovation business incubator space known as LaunchBox. Streetscape improvements have been completed along Broad Street and similar improvements along Wyoming Street are planned. Lackawanna College is also in the process of moving into a larger space downtown and will occupy the ground floor of a key anchor building at Broad and Wyoming Streets. There has also been recent interest in redevelopment of the Altamont Hotel building into housing, though the status of this project is undetermined as of this writing.

Secondary Data Profile

The following data explores the economic overview of the City. The data examines the City's demographic profile, provides an overview of the City's industry and occupations and trends in employment and wages. Also included is the educational level of the citizens as well as the housing characteristics of the City. Comparisons are made between the City, Luzerne

County, the Commonwealth of Pennsylvania, and the United States of America based on the listed economic characteristics. The data used in this report was obtained from the United States Census Bureau and JobsEQ, a subscription-based labor market information system.

Population

In 2015, the City had an estimated population of 25,087, a slight decline since 2010 but still substantially more than the 23,329 residents counted in the 2000 census. The City grew at a faster rate than either Luzerne County or Pennsylvania as a whole between 2000 and 2015. (See Table 10-2.)

Table 10-2
CITY OF HAZLETON
Population
2000, 2010, 2015

	City of Hazleton, PA	**Luzerne County, PA**	**Pennsylvania**	**USA**
2015 Population (Estimated)	**25,087**	320,095	12,779,559	316,515,021
2010 Population	**25,340**	320,918	12,702,379	308,745,538
2000 Population	**23,329**	319,250	12,281,054	281,421,906
% Change, 2000 - 2015	**7.5 %**	0.3 %	4.1 %	12.5 %

Source: United States Census Bureau

Age Distribution

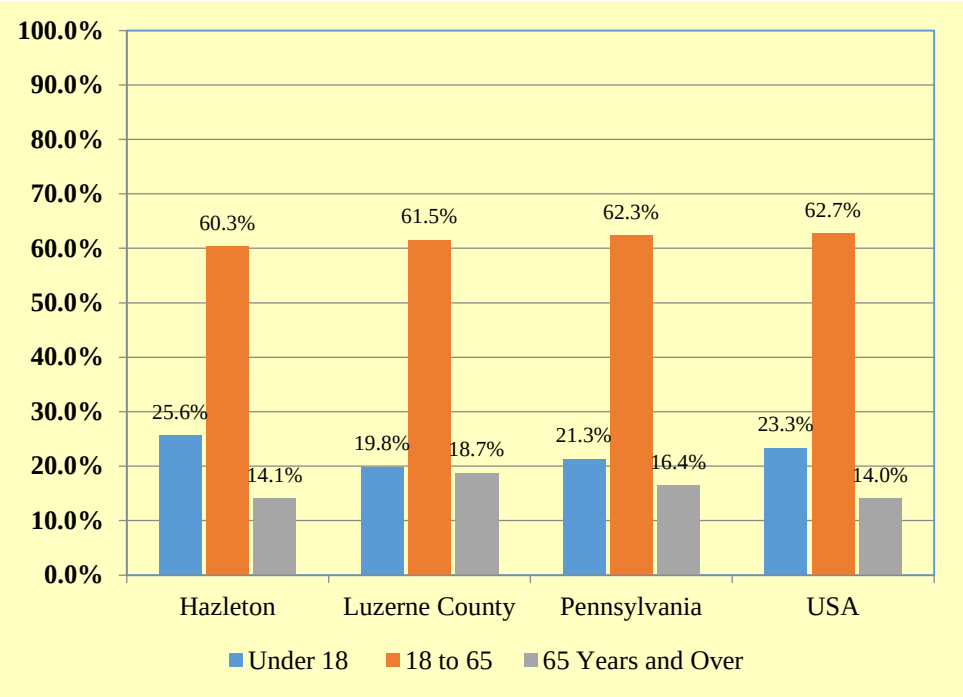
In 2015, a slightly larger share of the population in the City was under 18 years compared to the other three geographies. The City also has the highest percentage of residents between the 18 and 24 years. On the other hand, the City has a smaller than average share of in the age groups from 45 to 74. This data indicates that the City's workforce is relatively young and may be less impacted by the retirement of the baby boomer generation. (See Table 10-3 and Graph 10-1 on next page.)

Table 10-3
CITY OF HAZLETON
Age Distribution
2015

Age in Years	**Hazleton**	Luzerne County	Pennsylvania	USA
Under 18	**25.60%**	19.80%	21.30%	23.30%
18 to 24	**11.90%**	9.30%	9.70%	9.90%
25 to 34	**13.20%**	11.70%	12.60%	13.60%
35 to 44	**12.10%**	12.00%	12.00%	12.90%
45 to 54	**13.30%**	14.60%	14.40%	13.90%
55 to 64	**9.80%**	13.90%	13.60%	12.40%
65 to 74	**6.20%**	9.60%	8.70%	7.90%
75 Years and Over	**7.90%**	9.10%	7.70%	6.10%

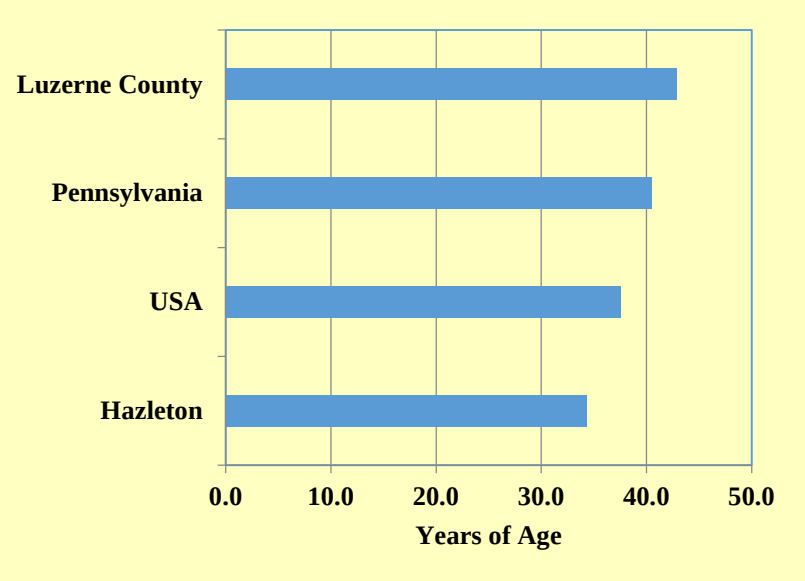
Source: U.S. Census Bureau American Community Survey

Graph 10-1
CITY OF HAZLETON
Age Distribution
2015



The median age of residents in the City is low compared to the United States and the Commonwealth of Pennsylvania. In contrast, Luzerne County has the highest median age of residents. This data also indicates the youth of the City's population compared to the other geographies. (See Graph 10-2.)

Graph 10-2
CITY OF HAZLETON
Median Age
2015



Racial and Ethnic Diversity

The following table shows the racial distribution of the City, Luzerne County, and Pennsylvania. The racial distribution of the United States as of 2015 is also shown. It is observed that the white population is the most represented in all four geographies. However, the percentage of white population in Hazleton is the lowest. The second most represented race nationwide is the black or African American race. This represents 13 percent nationwide, 11 percent in Pennsylvania to 5.6 percent in Hazleton and 3.9 percent in Luzerne County. Hazleton has a large share of Hispanic or Latino residents partially indicated by the large share of residents identifying as "some other race." In Census Bureau data, Hispanic/Latino status is tracked independently from race and likely accounts for Hazleton's relatively high proportion of the population identifying themselves as "some other race." (See Table 10-4 on next page.)

Table 10-4
CITY OF HAZLETON
Race of Residents
2015

Race	W	B	AI	A	PI	Other	M
Hazleton City	**66.1%**	**5.6%**	**1.6%**	**0.4%**	**0.1%**	**22.1%**	**4.1%**
Luzerne County	89.9%	3.9%	0.3%	1.1%	0.0%	3.1%	1.7%
Pennsylvania	81.6%	11.0%	0.2%	3.1%	0.0%	2.0%	2.1%
USA	73.6%	12.6%	0.8%	5.1%	0.2%	4.7%	3.0%

Source: U.S. Census Bureau American Community Survey
W: White
B: Black or African American
AI: American Indian or Alaska Native
PI: Native Hawaiian or Other Pacific Islander
Other: Some Other Race
M: Multi-Racial
A: Asian

Unemployment and Labor force participation rate

The percentage of the City's civilian population in the labor force (16 years and over) is about 62 percent. This is slightly lower than the Commonwealth of Pennsylvania's rate by .6 percentage points and 1.5 percent lower than the United States rate but higher than Luzerne County's rate of 60.4 percent.

The City's unemployment rate of 12.8 percent in 2015 is much higher than the unemployment rate in Luzerne County, the Commonwealth of Pennsylvania as well as the United States. (See Table 10-5.)

Table 10-5
CITY OF HAZLETON
Labor Force and Unemployment
2015

	Hazleton	Luzerne County	Pennsylvania	USA
Labor Force Participation Rate and Size (civilian population 16 years and over)	**62.2%**	60.4%	62.8%	63.7 %
Unemployment rate	**12.8%**	7.8%	7.9%	8.3%

Household Income

In 2015, for each geographic area the largest percentage of residents was in the household income category of $50,000 to $74,999. The annual income of 67 percent of City households was below $50,000 per year compared to 53.3 percent for Luzerne County, 46.7 percent for Commonwealth of Pennsylvania and 46.6 in the United States. The number of City households

with income over $100,000 per year was only 7.2 percent compared to 16.3 percent for Luzerne County, 22.4 percent in the Commonwealth of Pennsylvania and 23.5 percent in the United States. Finally, the median household income in the City in 2015 was $31,545. This is substantially lower than the median household income in the Luzerne County, the Commonwealth of Pennsylvania and the United States. (See Table 10-6.)

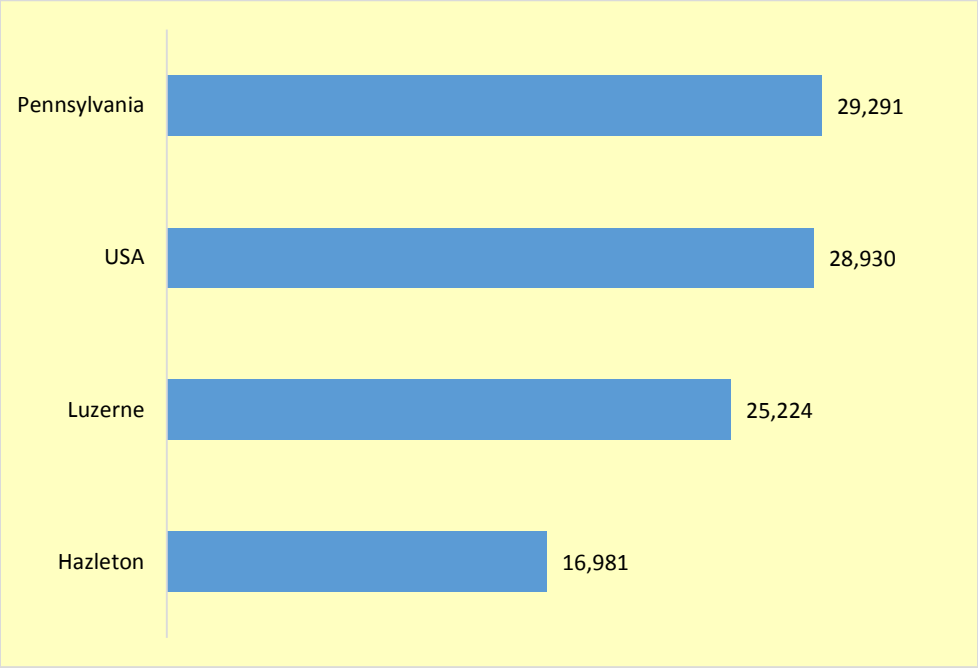
Table 10-6
CITY OF HAZLETON
Household Income
2015

	Hazleton	**Luzerne**	**Pennsylvania**	**USA**
Less than $10,000	**10.2%**	8.0%	6.9%	7.2%
$10,000 to $14,999	**10.1%**	6.9%	5.3%	5.3%
$15,000 to $24,999	**16.6%**	12.9%	10.7%	10.6%
$25,000 to $34,999	**17.3%**	11.7%	10.3%	10.1%
$35,000 to $49,999	**12.8%**	13.8%	13.5%	13.4%
$50,000 to $74,999	**18.0%**	18.6%	18.4%	17.8%
$75,000 to $99,999	**7.7%**	11.8%	12.5%	12.1%
$100,000 to $149,999	**4.1%**	10.6%	13.0%	13.1%
$150,000 to $199,999	**2.2%**	3.4%	4.8%	5.1%
$200,000 or more	**0.9%**	2.3%	4.6%	5.3%
Median income (dollars)	**$31,545**	$45,897	$53,599	$53,889

Per Capita Income

In 2015, the per capita income in the City was $16,981. This is about 33 percent lower than Luzerne County, 42 percent lower than the Commonwealth of Pennsylvania, and 41 percent lower than the United States. (See Graph 10-3 on next page.)

Graph 10-3
CITY OF HAZLETON
Per Capita Income
2015



Poverty

The City also has a much higher poverty rate compared to the other geographies considered in the table below. Expectedly, the percentage of households receiving food stamps in the City is also much higher than the other geographies with 27.7 percent of households in the City receiving food stamps compared to 16.4 percent in Luzerne County; 12.9 percent in the Commonwealth of Pennsylvania and 13.2 percent in the United States. (See Table 10-7.)

Table 10-7
CITY OF HAZLETON
Poverty Level
2015

	Hazleton,	**Luzerne**	**Pennsylvania**	**USA**
Poverty Level (of all people)	**25.1%**	15.8%	13.5%	15.5%
Households Receiving Food Stamps	**27.7%**	16.4%	12.9%	13.2%

Industry Clusters

The following industry data represents economic activity located *only* within the borders of the City and does not account for economic activity located outside the City's borders. The

industry Location Quotients used in the table below indicate the geographical concentration of industries in an area. Industry LQ's are a way of quantifying how concentrated an industry is in a location compared to a larger geographic area. Industry LQ's help identify which industries make the area's economy unique.[7]

The chemical industry is the most concentrated industry with a location quotient of 4.78 and average wage of $50,337. The next concentrated industry is the wood or paper industry with a location quotient of 4.73 and the Coal/Oil/Power industry with a location quotient of 3.02. The Pharmaceutical industry has the least concentration at .51. Based on projections the health, construction and the professional services industries are the only clusters that project increased employment rates over the next ten years. Employment in other clusters is expected to contract. (See Table 10-8.)

Table 10-8
CITY OF HAZLETON
Industry Clusters

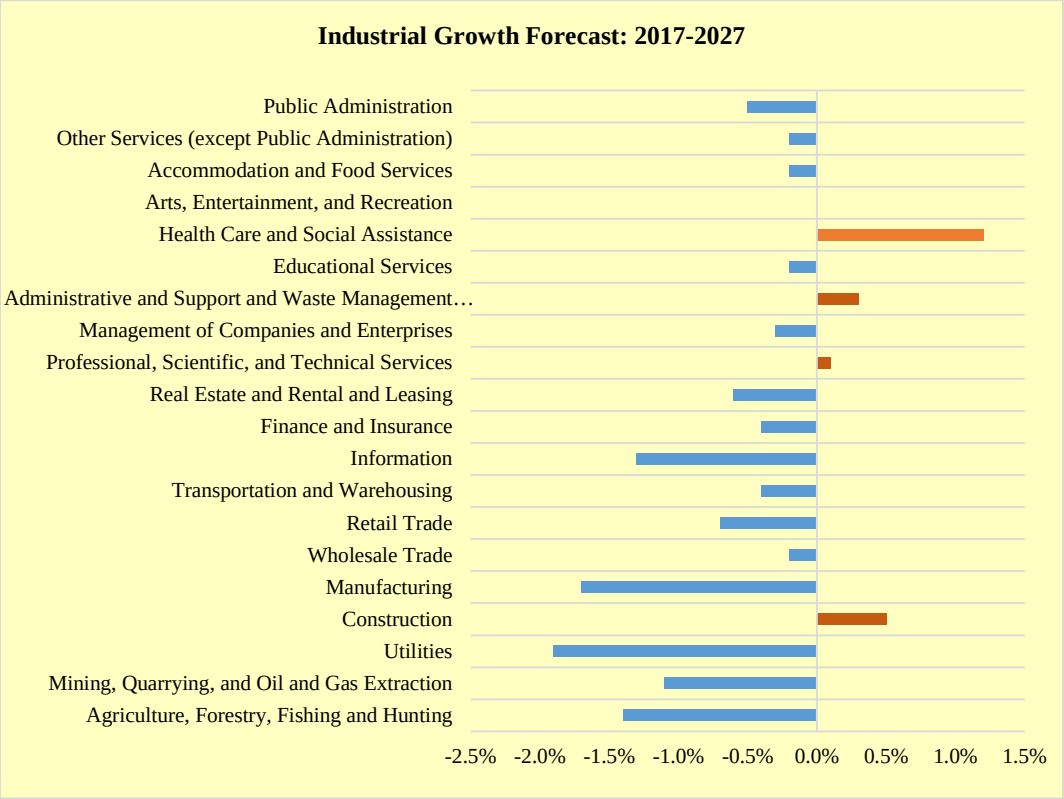
Industry Group	Average Annual Employment Forecast Rate(%) 2017Q2-2027Q2	Average Wages	LQ
Food Mfg.	-0.92	$45,700	0.78
Chemical	-1.99	$50,337	4.78
Wood/Paper	-1.71	$46,898	4.73
Media	-2.21	$36,070	1.00
Metal & Product Mfg.	-1.52	$55,566	1.75
Coal/Oil/Power	-1.60	$108,738	3.02
Retail	-0.63	$28,506	1.25
Professional Svc.	0.25	$35,831	1.45
Consumer Svc.	-0.19	$20,136	0.64
Construction	0.49	$46,374	0.62
Pharmaceutical	-0.82	$48,694	0.51
Utilities	-0.46	$39,952	0.69
Health	1.15	$44,474	1.48

Source: Jobs EQ

[7] Industry location quotients are calculated by comparing an industry's share of regional employment with its share of national employment. For example, Industry X accounts for .16 percent of all regional jobs but only .015 percent of all national jobs. The regions location quotient for Industry X would then be (.16/.015) =10.67, meaning that Industry X is nearly 11 times more concentrated in the region than average.

Industrial growth forecast (2017-2027)

The chart below shows the ten year projected employment growth rate of industries in the City. The Health care industry is projected to be the fastest growing sector in the region, with a growth of 1.2 percent. The Administrative and Support and Waste Management and Remediation Services, Professional, Scientific and Technical Services, and Construction industries are also expected to have a ten year growth of 0.3 percent, 0.1 percent and 0.5 percent, respectively.

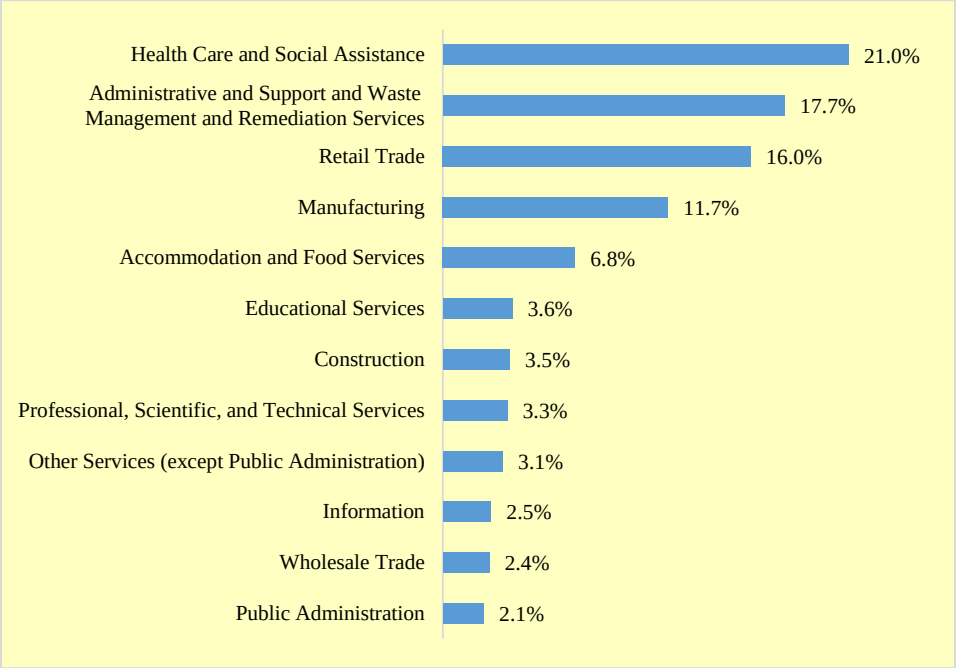


Source: JobsEQ

Employment distribution by Industry

The Health Care and Social Assistance industry is the largest employer in the City, employing about 2,050 people. Lehigh Valley Hospital-Hazleton is a major health care center located within the City limits. This is followed by the Administrative and Support and Waste Management and Remediation Services with 1,727 employees, Retail Trade with 1,556 employees and Manufacturing with 1,138 employees. These four industries comprise more 67 percent of all jobs in the City. (See Graph 10-4.)

Graph 10-4
CITY OF HAZLETON
Distribution of Employment by Industry
2017



Source: JobsEQ

Wages, Location Quotients, and Projected Growth to 2027

The Utilities industry has the highest annual average wages in the City. This is followed by the Finance and Insurance industry. Both employ a relatively small share of all employees within the City.

		2016-2017			Projected 2017Q2 – 2027Q2	
NAICS	**Industry**	**Number employed**	**Avg. Annual Wages**	**Location Quotient**	**Avg. Annual Industry Growth Percent**	**Job Growth**
11	Agriculture, Forestry, Fishing and Hunting	10	$8,562	0.07	-1.40%	-1
21	Mining, Quarrying, and Oil and Gas Extraction	82	$55,860	2.09	-1.10%	-8
22	Utilities	141	$119,767	2.71	-1.90%	-25
23	Construction	338	$46,797	0.63	0.50%	18
31	Manufacturing	1,138	$50,098	1.42	-1.70%	-180
42	Wholesale Trade	234	$54,353	0.61	-0.20%	-4
44	Retail Trade	1,556	$26,714	1.48	-0.70%	-105
48	Transportation and Warehousing	155	$41,243	0.38	-0.40%	-6

NAICS	Industry	2016-2017 Number employed	2016-2017 Avg. Annual Wages	2016-2017 Location Quotient	Projected 2017Q2 – 2027Q2 Avg. Annual Industry Growth Percent	Projected 2017Q2 – 2027Q2 Job Growth
51	Information	243	$47,904	1.25	-1.30%	-29
52	Finance and Insurance	153	$57,039	0.39	-0.40%	-7
53	Real Estate and Rental and Leasing	54	$42,647	0.33	-0.60%	-3
54	Professional, Scientific, and Technical Services	325	$55,463	0.51	0.10%	4
56	Administrative and Support and Waste Management and Remediation Services	1,727	$30,479	2.73	0.30%	58
61	Educational Services	350	$47,758	0.44	-0.20%	-8
62	Health Care and Social Assistance	2,050	$46,378	1.48	1.20%	248
71	Arts, Entertainment, and Recreation	20	$23,484	0.1	0.00%	0
72	Accommodation and Food Services	667	$17,377	0.76	-0.20%	-13
81	Other Services (except Public Administration)	302	$26,289	0.7	-0.20%	-5
92	Public Administration	207	$51,492	0.44	-0.50%	-10
	Total – All Industries	9,754	$40,919	1	-0.10%	-77

Source: JobsEQ

Occupation Snapshot

The largest occupation group in the City employing 1,395 people is the Office and Administrative Support Occupations. This is followed by Production Occupations and Sales and Related occupations. The smallest occupation group is the Farming, Fishing, and Forestry Occupations, employing only 8 workers. The unemployment rate in the City ranges from 1.4 percent in the Legal occupations to 10.1 percent in the Food Preparation and Serving Related Occupations. Occupation groups with high LQs indicate that such groups have high concentrations of employment in the region. The occupation groups with the highest location quotients are Production Occupations (LQ = 1.90), Healthcare Support Occupations (LQ= 1.67), and Healthcare Practitioners and Technical Occupations (LQ= 1.44).

The occupation groups with the highest average annual wages are the Management Occupations ($102,500), Legal Occupations ($73,900), and Architecture and Engineering Occupations ($71,700). Over the next ten years, the fastest growing occupation is expected to be

the Healthcare Support Occupations with a growth of 1.2 percent. The Healthcare Practitioners and Technical Occupations is also expected to grow by 1 percent.

Occupation Characteristics: Hazleton, PA (2017)

SOC	Title	Employment	Unemployment Rate	Avg. Annual Wages	LQ	Next 10 years-Avg. Annual Growth
11-0000	Management Occupations	319	2.30%	$102,500	0.54	-0.1%
13-0000	Business and Financial Operations Occupations	249	4.40%	$61,800	0.5	0.1%
15-0000	Computer and Mathematical Occupations	136	4.00%	$63,400	0.48	0.4%
17-0000	Architecture and Engineering Occupations	186	4.20%	$71,700	1.12	-0.2%
19-0000	Life, Physical, and Social Science Occupations	53	4.50%	$61,900	0.65	0.0%
21-0000	Community and Social Service Occupations	163	1.70%	$41,800	1.05	0.9%
23-0000	Legal Occupations	52	1.40%	$73,900	0.64	0.0%
25-0000	Education, Training, and Library Occupations	327	3.50%	$45,900	0.59	0.0%
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	107	4.80%	$37,800	0.61	-0.8%
29-0000	Healthcare Practitioners and Technical Occupations	798	2.00%	$68,600	1.44	1.0%
31-0000	Healthcare Support Occupations	460	6.10%	$30,100	1.67	1.2%
33-0000	Protective Service Occupations	209	5.00%	$39,500	0.99	-0.3%
35-0000	Food Preparation and Serving Related Occupations	782	10.10%	$22,500	0.93	-0.1%
37-0000	Building and Grounds Cleaning and Maintenance Occupations	407	7.50%	$26,500	1.18	0.0%
39-0000	Personal Care and Service Occupations	354	6.20%	$23,500	0.93	0.9%
41-0000	Sales and Related Occupations	1,033	6.70%	$32,400	1.03	-0.8%
43-0000	Office and Administrative Support Occupations	1,395	5.90%	$33,600	0.96	-0.5%
45-0000	Farming, Fishing, and Forestry Occupations	8	8.60%	$26,100	0.12	-0.5%
47-0000	Construction and Extraction Occupations	369	8.90%	$44,900	0.85	0.2%
49-0000	Installation, Maintenance, and Repair Occupations	336	5.20%	$45,100	0.91	-0.3%
51-0000	Production Occupations	1,124	7.70%	$35,100	1.9	-1.0%
53-0000	Transportation and Material Moving Occupations	888	10.00%	$33,100	1.35	0.0%
00-0000	Total – All Occupations	9,754		$40,800		-0.1%

Source: JobsEQ

Transportation

The average commute time in the City is about 20.5 minutes. This average is lower than Luzerne County (22.1 minutes), the Commonwealth of Pennsylvania (26.3 minutes) and the United States (25.9 minutes). About 3 percent of the City's population commutes via public transportation. This is more than the 1.2 percent in Luzerne County but much less than the 5.6

percent of the Commonwealth of Pennsylvania and 5.1 percent in the United States. (See Table 10-9.)

Table 10-9
CITY OF HAZLETON
Transportation and Commute Time
2015

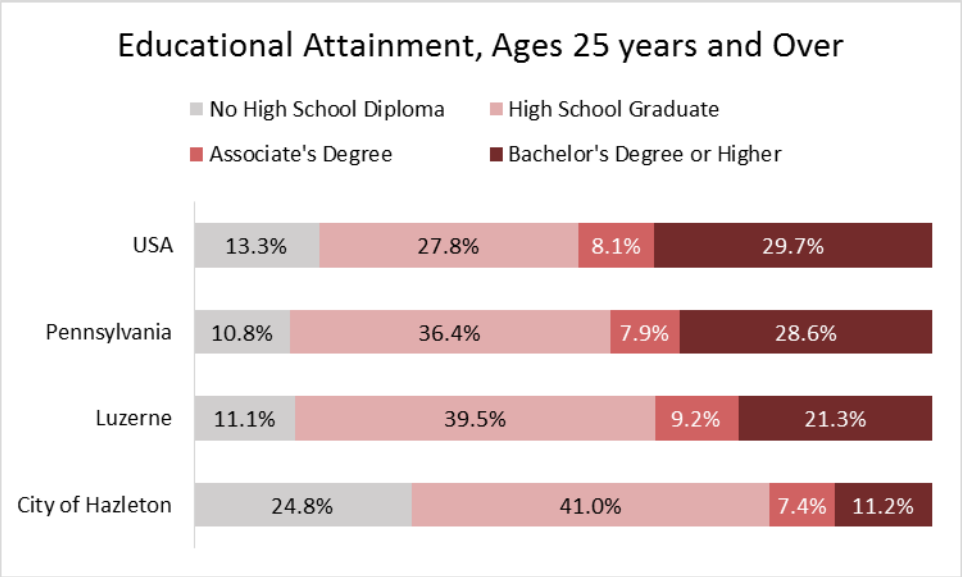
	Hazleton	**Luzerne**	**Pennsylvania**	**USA**
Mean Commute Time (minutes)	**20.5**	22.1	26.3	25.9
Commute via Public Transportation	**290**	1,677	326,404	7,362,038
Commute via Public Transportation (%)	**2.8%**	1.2%	5.6%	5.1%

Source: U.S. Census Bureau American Community Survey (2015

Educational Attainment

The percentage of residents age 25 and older in the City with at most a high school diploma was 65.8 percent in 2015. This is significantly more than the 50.6 percent of Luzerne County residents, 47.2 percent of Commonwealth of Pennsylvania residents and 41.4 percent of United States residents. The percentage of City residents with a bachelor's degree and/or postgraduate degree is only 11.2 percent compared to 21.3 percent of Luzerne County residents, 28.6 percent of Commonwealth of Pennsylvania residents and 29.7 percent of United States residents. (See Graph 10-5.)

Graph 10-5
CITY OF HAZLETON
Educational Attainment
2015



Source: U.S. Census Bureau American Community Survey (2015)

According to the Pennsylvania Department of Education, there are 32 educational entities in the City. This includes four public schools providing regular elementary and middle school; 11 private and non-public entities which include 9 non-licensed schools and two private driving schools. There are also three licensed post-secondary and higher education entities—two privately licensed schools and Penn State Hazleton, which is a State-Related Commonwealth University. The City also has 16 other educational entities such as libraries, professional education associations, instructional support systems, and Act 48 independent providers.

As a means to compare school population, in 2015, about 2 percent of the City's population was enrolled in grade 12. The data suggests a higher public school enrollment in the City and corroborates earlier census data on the large share of the City's population under 18 years of age. In the City, about 25 percent of residents aged five years and over do not speak English very well. (See Table 10-10.)

Table 10-10
CITY OF HAZLETON
Grade Level and English Proficiency
2015

	Hazleton	**Pennsylvania**	**USA**
Enrolled in Grade 12 (% of total population)	**2.0%**	1.3%	1.4%
Speak English Less Than Very Well (population 5 yrs. and over)	**24.7%**	4.1%	8.6%

Source: PA Department of Education, U.S. Census Bureau American Community Survey (2015)

Housing Characteristics

In 2015, there were 10,733 housing units in the City. Overall, Pennsylvania had a total of 5,585,611 housing units. Eighty-three point five percent of the housing units in the City are occupied whereas 16.5 percent are vacant. There is a higher homeowner and rental vacancy rate in the City compared to the other geographies. About 52 percent of housing units are owner-occupied, compared to 67.6 percent in Luzerne County and 69.2 percent in the Commonwealth of Pennsylvania.

The median house value of owner-occupied units in the City is about $84,400. This is approximately half the Commonwealth of Pennsylvania's median, and also well below the median for Luzerne County. In the same vein, median house rent is lower in the City compared to the Commonwealth of Pennsylvania and slightly below that of Luzerne County. About 17.6 percent of occupied housing units in the City have no vehicle. This drops to 11.4 percent in the Commonwealth of Pennsylvania and 10.8 percent in Luzerne County. (See Table 10-11.)

Table 10-11
CITY OF HAZLETON
Housing Characteristics
2015

	Percent			Value		
	Hazleton	**Luzerne County**	**Pennsylvania**	**Hazleton**	**Luzerne County**	**Pennsylvania**
Total Housing Units	—	—	—	10,733	148,441	5,585,611
Occupied housing units	**83.5 %**	86.7 %	88.8 %	8,966	128,692	4,958,859
Vacant housing units	**16.5 %**	13.3 %	11.2 %	1,767	19,749	626,752
Homeowner Vacancy Rate	**6.5 %**	2.7%	1.8 %	—	—	—
Rental Vacancy Rate	**7.6 %**	4.9%	5.9 %	—	—	—
Median House Value (owner-occupied units)	—	—	—	$84,400	$122,700	$166,000
Median rent (dollars)	—	—	—	$687	$702	$840
HOUSING TENURE						
Owner-occupied	**51.7 %**	67.6 %	69.2 %	4,635	87,053	3,431,790
Renter-Occupied Housing Units (% of Occupied Units)	**48.3 %**	32.4 %	30.8 %	4,331	41,639	1,527,069
Occupied Housing Units with No Vehicle Available (% of Occupied Units)	**17.6 %**	10.8 %	11.4 %	1,575	13,864	566,215

Source: U.S. Census Bureau American Community Survey

Social Characteristics

More than half of the total population of children in the City are in single parent families. The percentage of individuals with disability (between ages 18 and 64) is about 12.7 percent compared to the Commonwealth of Pennsylvania average of 11 percent and the Luzerne County average of 12.4 percent. About 42 percent of the people with disabilities in the City are in the labor force.

Foreign born residents represent 27.8 percent of the total population of the City. This is significantly higher than the 6.3 percent in the Commonwealth of Pennsylvania and 5.4 percent in Luzerne County, and seems to corroborate U.S. Census racial distribution data for the City in Table 10-4, *supra*. (See Table 10-12 on next page.)

Table 10-12
CITY OF HAZLETON
Social Characteristics
2015

	Hazleton	Luzerne County	Pennsylvania
Children in Single Parent Families (% of all children)	**57.1%**	41.4%	34.6%
With a Disability, Age 18-64	**12.7%**	12.4%	11.0%
With a Disability, Age 18-64, Labor Force Participation Rate	**42.1%**	40.3%	41.2%
Foreign Born	**27.8%**	5.4%	6.3%

Source: U.S. Census Bureau American Community Survey

Conclusions and Recommendations

The City has signs of positive momentum when it comes to economic development. Stakeholders interviewed expressed optimism about various projects in the downtown that, upon completion, will further the goals of the Downtown Hazleton Strategic Plan and contribute to the City's economic vitality. There are several entities already in place working together to further regional and City-wide economic development goals, including City officials, CANDO, Greater Hazleton Chamber of Commerce, and DHAP.

However, the City is also challenged in several ways. The vast majority of the recent growth in the transportation and warehousing industry in the Greater Hazleton area has occurred outside the City itself, and most of the area's most significant retail centers, business parks, and industrial parks are similarly outside the City limits. Furthermore, its higher tax rates compared with surrounding municipalities means it must find competitive advantages in other areas. The City also faces issues such as high poverty and lower than average educational attainment among its population, as well concerns about crime and blight.

The City's rapidly shifting demographics are another important context in its economic trajectory. Due to the expanding share of Hispanic/Latino residents, this community likely represents the future of the City's entrepreneurs, workforce, and market for goods and services.

Economic Development Initiatives

The following represents a menu of economic development strategies that should be considered by the City in consultation and cooperation with various stakeholders.

ED-1 Develop a Citywide Comprehensive Plan and/or Economic Development Strategy.

The City lacks an up-to-date comprehensive plan as well as a thorough economic development strategy beyond the scope of the Act 47 Plan. Developing either or both of these documents would help the community develop an implementable set of economic development goals and strategies to achieve those goals. The planning process can be guided by a steering committee made up of stakeholders such as the City, CANDO, and the Greater Hazleton Chamber of Commerce.

The plan(s) could identify high-priority sites for development or redevelopment throughout the City and identify potential uses and funding sources for those sites. With such a plan in hand, City officials, the Chamber, and CANDO can be in a better position to market development opportunities in the City. The planning process should also obtain significant input from the broader community, including Hispanic/Latino residents and small business owners. The plan(s) should build upon on the existing Downtown Hazleton Strategic Plan, which is already being implemented by DHAP.

Funds to conduct a Citywide planning process could be available through Act 47 grant funding process or alternative sources of funding such as local philanthropic foundations and the business community can also be considered.

ED-2 Improve Opportunities for Minority-Owned Businesses.

Hispanic residents now represent the largest ethnic group in the City. This population, which has grown rapidly over the past 15 years, represents an opportunity to create more home-grown entrepreneurship as well as a significant market segment for goods and services within the City.

Though Hispanic-owned business have grown significantly in several commercial areas of the City, stakeholder interviews revealed a need for more support aimed at Spanish-speaking business owners and potential entrepreneurs. It was reported that there is a need for better bilingual access to financial institutions, economic development and business services organizations, and City officials such as permitting staff. All of these entities should work to

ensure availability of Spanish language resources and identify and remove cultural barriers to doing business in the City. There is also a need for specific outreach to the Hispanic community to communicate about business opportunities, financing, and municipal permits and licenses.

Additionally, the prominence of Hispanic-owned businesses in the City may warrant the formation of a more formal organization, such as Hispanic Chamber of Commerce. There is currently an informal group of Hispanic business leaders, but a formal organization may be a useful tool to advance the interests of minority-owned businesses. One way to approach this would be to create a Hispanic Chamber or other special initiative within the Greater Hazleton Chamber of Commerce.

ED-3 Expand Opportunities to access Business Resources in the City.

In addition to the needs for Hispanic business assistance described above, there is also an opportunity for business resources generally in the City. One way to expand services available would be to partner with the Wilkes University SBDC to have business consulting and training in the City on a regular basis.

ED-4 Continue to Establish the Downtown Business District as a Vibrant "Arts and Innovation" Hub.

The existing Downtown Hazleton Strategic Plan is driving current revitalization in the downtown area. Implementation should continue, with a focus on creating a vibrant urban neighborhood with opportunities for arts, culture, dining, and entertainment.

Several announced and ongoing projects, such as a planned arts center and business incubator, will help to advance this goal. Downtown stakeholders should remain focused on continuing to pursue these kinds of high quality developments in the downtown area.

ED-5 Engage in Placemaking Throughout the City to create Unique and Vibrant Neighborhoods.

In order to differentiate the City from surrounding municipalities as a unique and desirable place of business, the City can employ placemaking strategies that help to create and define unique and vibrant urban neighborhoods. Developing new branding campaigns for specific neighborhoods or corridors can help create community pride that connects people to a "sense of place."

Streetscaping is one component of this strategy. A streetscaping project for Broad Street has been completed, and similar improvements for Wyoming Street are planned. Opportunities might be identified elsewhere in the City, particularly on other commercial and mixed use corridors, to improve streetscapes with new lighting, seating, bicycle racks, bus shelters, signage, decorative features, or other appropriate amenities.

In order to implement these strategies, the City should leverage the capacity and resources of community groups, neighborhood associations, businesses and institutions, or other external parties. Business sponsorship of some components (such as a banners, signage, or holiday decorations) may be an appropriate means of funding this strategy.

ED-6 Find Ways to Reduce Parking Burdens on Businesses and Visitors to Downtown.

Parking was a commonly cited concern in the stakeholder interviews. There were concerns about the aggressiveness of enforcement and about the possibility that businesses downtown were being negatively impacted because of potential patrons being discouraged from coming downtown due to parking costs, enforcement, or other parking challenges. Additional wayfinding signage to direct drivers to public parking as well as information signage about parking costs and hours of enforcement may also be warranted. A detailed assessment of the City's parking system is provided in Chapter 7, Authorities and Enterprises.

ED-7 Explore Opportunities for Industrial or Warehouse Development along the Beltway Corridor.

A large share of the City's existing vacant land for new development is in the southern part of the City, along the Greater Hazleton Chamber of Commerce Beltway (also known as Arthur Gardner Highway), which connects Interstate 81, State Route 309, and State Route 93. As such, this corridor represents the best potential for new transportation, warehousing, or manufacturing firms within the City limits. The planned extension of the beltway from its current terminus at Interstate 81 into the Humboldt Industrial Park could help to make the Beltway corridor more attractive.

Identification of particular sites for development and targeting particular firms may help make the area more marketable. The City (and the region's economic development entities) may also investigate ownership of property that fronts the highway, and if necessary, serve as a convener and facilitator to assemble larger developable lots from fragmented ownership, especially if some of the land is owned by public agencies. There may also be an opportunity for CAN DO to play a role in the development in the corridor.

ED-8 Consider a Citywide Workforce Development Initiative.

Educational attainment is lower among the City's population: a relatively large portion of the population lacks a high school diploma or equivalent compared with County, Pennsylvania, or United States, and a smaller share have associate, bachelor, or masters degrees. Bolstering the workforce skills and competitiveness may be helpful in attracting, expanding, and retaining firms to both the City and the region.

The City should investigate working with economic development entities and private foundations to determine if there is a need for additional workforce development programs. Any initiative should reflect the City's cultural diversity and language barriers. The Chamber or another party may also consider implementing a leadership or entrepreneurship program aimed at Hispanic residents, which would also help achieve initiative ED-1.2 above.

ED-9 Explore Interest in Forming a Business Improvement District.

DHAP or another downtown stakeholder should gauge interest among downtown property owners in forming a business improvement district (BID), in which property owners would pay an annual assessment to fund neighborhood-level services or improvements. A BID could be a source of revenue for initiatives such as streetscaping and placemaking, removal of litter or snow, or funding additional uniformed law enforcement officers. Such an investment by the business community could help spur further economic development while utilizing a non-public source of funds. However, it should only be pursued after extensive consultation with the business community to ensure that the additional assessment would not be overly burdensome.

ED-10 Revise the City's Zoning Ordinance to Give Greater Flexibility to Businesses.

In order to reduce regulatory barriers to business and, therefore, increase the City's economic competitiveness, there are opportunities to revise the City's Zoning Ordinance. Any changes made to the zoning code should encourage density, walkability, traffic control, and mixed uses in all commercial corridors while ensuring flexibility for businesses.

Among possible revisions to the zoning code are modifying the maximum building height limits where possible (especially in industrial districts) and ensuring that businesses can easily use sidewalks in ways that contribute to vibrant neighborhoods, such as outdoor dining. The City could also consider allowing some commercial uses (such as personal service businesses, offices, or limited retail) on corner properties within R2 and R3 residential districts.

For commercial corridors within the City, there may be a need for a new designation of "Neighborhood Commercial" district or something similar to replace existing Highway Commercial districts within the City. The district would have relaxed front, side, and rear yard setbacks and lesser minimum parking requirements compared with Highway Commercial designation. This would represent a less restrictive approach to zoning for commercial and mixed-

use areas outside of downtown, such as Diamond Avenue, 15th Street, and Alter Street. This initiative can be developed in tandem with ED-1.

ED-11 Address Blight and Tax Delinquent Properties by Establishing a Land Bank Initiative.

This is a relatively new tool available to Pennsylvania cities to address blight. Under state land banking legislation, a land bank can be established to return vacant, blighted, and/or tax delinquent properties to productive use and return them to the tax rolls. The City should consider establishing a land bank.

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CHAPTER 11
BASELINE OPERATING BUDGET PROJECTIONS AND RECOVERY PLAN INITIATIVES

The information presented in the first section of this chapter presents the City's baseline operating budget projections from 2018 to 2022 assuming that no Recovery Plan initiatives are implemented by the City. The primary focus of the baseline projections is the General Fund and the Act 205 Fund. The second section provides several initiatives to eliminate the projected operating deficit and to provide for a stable operating fund through the projection period.

2018–2022 General Fund Baseline Projections

Baseline projections for the General Fund were developed for 2018 to 2022 using the City's 2012-2017 operating budget actuals and the City's 2018 adopted budget projections. These projections are based upon the City's historical revenue and expenditure trends **without implementation** of any of the Recovery Plan initiatives contained herein. In developing the revenue projections in Table 11-1, a variety of assumptions were used, as described below.

- All tax rates were held constant at the 2018 budgeted levels; fee revenue is based upon the City's 2018 adopted fee schedules.
- Revenue from real estate taxes was decreased throughout the period by 0.8 percent annually based on declining assessed value trends.
- Earned Income Tax revenue is increased 1.0 percent annually.
- Local Services Tax revenue is increased by $5,200 or 100 additional jobs annually.
- Licenses and Permit revenue is increased 1.0 percent annually.
- Other tax revenues were reviewed on a line-by-line basis with most other revenues held constant over the period. (See Table 11-1 on next page.)

Table 11-1
CITY OF HAZLETON
Baseline General Fund Revenue Projections
2018-2022

	2018	2019	2020	2021	2022	Change 2018 - 2022	
Type	**Estimated**	**Projected**	**Projected**	**Projected**	**Projected**	**$**	**%**
Real Estate Taxes	$4,303,486	$4,333,297	$4,298,631	$4,264,242	$4,230,128	-73,358	-1.7
Resident Tax	34,858	34,858	34,858	34,858	34,858	0	0.0
EIT	1,896,566	1,915,532	1,934,687	1,954,034	1,973,575	77,008	4.1
LST	361,573	366,773	371,973	377,173	382,373	20,800	5.8
Per Capita Tax	187,859	187,859	187,859	187,859	187,859	0	0.0
Real Estate Transfer Tax	262,143	262,143	262,143	262,143	262,143	0	0.0
Business Privilege Tax	499,297	504,290	509,333	514,426	519,571	20,273	4.1
Licenses & Permits	608,202	614,284	620,426	626,631	632,897	24,695	4.1
Non-Bus License &Permits	36,943	36,943	36,943	36,943	36,943	0	0.0
Fines & Forfeits	546,833	552,301	557,824	563,402	569,037	22,204	4.1
Interest	426	426	426	426	426	0	0.0
Rents & Royalties	19,410	19,410	19,410	19,410	19,410	0	0.0
State Shared Revenue	50,791	50,791	50,791	50,791	50,791	0	0.0
Intergovernmental Revenue	40,000	40,000	40,000	40,000	40,000	0	0.0
Public Safety Revenue	407,771	407,771	407,771	407,771	407,771	0	0.0
Highways & Streets	292,561	292,561	292,561	292,561	292,561	0	0.0
Miscellaneous Revenue	563,600	563,600	563,600	563,600	563,600	0	0.0
Transfers	37,352	37,352	37,352	37,352	37,352	0	0.0
Total Revenues	**$10,149,671**	**$10,220,192**	**$10,226,589**	**$10,233,623**	**$10,241,294**	**148,004**	**1.5**

In developing the expenditure projections in Table 11-2, a variety of assumptions were used, as described below.

- The number of employed City personnel is held constant at the 2018 budget level.
- Police base wages were increased by 2.0 percent annually for 2019 – 2022.
- Fire wages were increased by amounts in the collective bargaining agreement through 2021 and then by 2.0 percent for 2022.
- Highway Employee wages were increased by amounts in the collective bargaining agreement through 2021 and then by 2.0 percent for 2022.
- For 2019 through 2022, base wages were increased by 2.0 percent annually for the City Hall employees.
- Non-bargaining management employee salaries/wages were increased by 2.0 percent annually in 2019 through 2022.
- Employee medical insurance costs have been increased by a rate of 6.0 percent

annually. Employee healthcare premium contributions are adjusted per contract and then held at rates in the last year of contract for bargaining unit employees and at 2018 budgeted rates for non-bargaining unit employees.

- Other expenditures were either held at 2018 budget level, increased by 1.9% annually, or adjusted based on type of expenditure.

Table 11-2
CITY OF HAZLETON
Baseline General Fund Expenditure Projections
2018-2022

	2018	2019	2020	2021	2022	Change 2018 - 2022	
Department	**Estimated**	**Projected**	**Projected**	**Projected**	**Projected**	**$**	**%**
Council	$58,450	$59,166	$59,897	$60,641	$61,399	2,949	5.0
Executive	115,877	120,558	123,757	127,072	130,508	14,631	12.6
Financial Administration	253,795	278,941	285,441	292,139	299,042	45,247	17.8
Tax Collector/Treasurer	122,208	122,364	122,531	122,707	122,892	685	0.6
Solicitor	121,015	122,141	123,289	124,459	125,651	4,636	3.8
City Clerk	61,528	62,112	64,270	66,533	68,907	7,380	12.0
Payroll	70,639	73,382	75,871	78,474	81,197	10,558	14.9
Engineering	128,055	131,075	134,919	138,307	141,804	13,749	10.7
Building & Plant	425,986	436,566	446,487	456,727	467,301	41,316	9.7
Police	4,690,700	5,076,819	5,258,136	5,398,839	5,545,861	855,160	18.2
Fire	2,136,249	2,182,168	2,260,805	2,339,959	2,408,400	272,151	12.7
Parking	187,323	191,528	196,348	201,348	206,535	19,213	10.3
Code Enforcement	347,988	363,537	372,221	381,202	390,493	42,505	12.2
Planning & Zoning	17,442	17,549	17,648	17,749	17,852	409	2.3
Health	19,202	0	0	0	0	-19,202	-100.0
PW Street Maintenance	1,372,316	1,382,248	1,426,492	1,465,244	1,505,079	132,763	9.7
PW Municipal Garage	313,957	350,081	362,023	372,025	382,342	68,385	21.8
Miscellaneous	800	800	800	800	800	0	0.0
Insurance	47,885	48,794	49,722	50,666	51,629	3,744	7.8
Transfers	110,715	110,715	110,715	110,715	110,715	0	0.0
Total Expenditures	**$10,602,130**	**$11,130,547**	**$11,491,374**	**$11,805,607**	**$12,118,408**	**1,516,279**	**12.2**

The General Fund summary baseline revenue and expenditure projections below indicates that the City will have increasing operating deficits through 2022 with a cumulative deficit of about $6.1 million. (See Table 11-3 on next page.)

Table 11-3
CITY OF HAZLETON
Baseline Revenue, Expenditures, Surplus, Deficit Projection Summary
2018-2022

	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected	Change 2018 - 2022 $	%
Revenues	$10,149,671	$10,220,192	$10,226,589	$10,233,623	$10,241,294	91,623	0.9
Expenditures	10,602,130	11,130,547	11,491,374	11,805,607	12,118,408	1,516,279	14.3
Surplus/(Deficit)	**-$452,459**	**-$910,355**	**-$1,264,784**	**-$1,571,984**	**-$1,877,114**		
Cumulative Surplus/(Deficit)	**-$452,459**	**-$1,362,814**	**-$2,627,598**	**-$4,199,582**	**-$6,076,696**		

2018 Cash Flow Estimates

The City's operating deficits can have an impact on the day-to day operations of the City. The City and the Coordinator must monitor cash throughout 2018. The City began the year with $306,999 in cash and $339,911 in accounts payable. In the first quarter the City transferred $1.2 million from the Act 205 Fund to the General Fund which will be transferred back to the Act 205 Fund by the end of the second quarter. The majority of the City's 2018 revenues will be received by the City by the end of the second quarter, including Real Estate tax revenue which accounts for 41.8% of the City's total revenues, while City expenditures will increase in the third and fourth quarters of 2018. Current cash flow estimates indicate that the City will end the year with $106,302 in cash and $339,911 in accounts payable.

Table 11-4
CITY OF HAZLETON
Baseline Cash Flow Estimates—2018

	Actual 1st Qtr	Estimated 2nd Qtr	Estimated 3rd Qtr	Estimated 4th Qtr
Cash Balance Beginning of Month	$306,999	2,185,795	2,091,364	1,203,061
Surplus/(Deficit)	694,446	983,149	-1,131,114	-998,940
Change in Accounts Payable	-172,686	-103,289	319,795	-43,819
Change in Due to/(From) Pension	1,279,880	-1,198,950	-76,984	0
Other Balance Changes	77,156	224,660	0	0
Cash Balance End of Month	**$2,185,795**	**$2,091,364**	**$1,203,061**	**$160,302**

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Type	Actual 1st Qtr	Estimated 2nd Qtr	Estimated 3rd Qtr	Estimated 4th Qtr	FY Total
Revenues	3,192,828	3,819,046	1,401,936	1,735,862	10,149,671
Expenditures	2,498,381	2,835,897	2,533,050	2,734,802	10,602,130
Surplus/(Deficit)	694,446	983,149	-1,131,114	-998,940	-452,459
AP Beginning of Quarter	339,911	167,225	63,936	383,730	
AP End of Quarter	167,225	63,936	383,730	339,911	
Change in AP	-172,686	-103,289	319,795	-43,819	
Due to/(From) Pension Fund BoQ	-3,946	1,275,934	76,984	0	
Due to/(From) Pension Fund EoQ	1,275,934	76,984	0	0	
Change in Due to/(From)	1,279,880	-1,198,950	-76,984	0	

2018 – 2022 Act 205 (Pension Fund) Baseline Projections

As noted in the Historical Financial Performance Chapter, the City records pension related revenues (EIT and State Aid) and applicable expenditures in a fund other than the General Fund, identified as the Act 205 Fund. Baseline projections for this Act 205 Fund were developed by the Coordinator for 2018 to 2022 using the City's 2012-2017 operating budget actuals and the City's 2018 adopted budget projections. These projections are based upon the City's historical revenue and expenditure trends **without implementation** of any of the Recovery Plan initiatives contained herein. In developing the revenue and expenditure projections for the Act 205 Fund in Table 11-5, a variety of assumptions were used, as described below.

- Earned Income Tax revenue is increased 1.0 percent annually. EIT tax rate is held at 0.85% for Residents and Non-residents.
- State Aid for pensions is increased 3.0 percent annually.
- Minimum municipal obligations for each pension fund increase 2.0 percent annually.
- Retiree benefits increased by 6.0 percent annually.
- EIT collection expense increased by 1.0 percent annually.

Table 11-5
CITY OF HAZLETON
Baseline Estimated Act 205 Fund
2018 - 2022

	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected	Change 2018 - 2022 $	Change 2018 - 2022 %
State Aid	$700,000	$721,000	$742,630	$764,909	$787,856	87,856	12.6
Act 205 EIT	4,500,000	4,545,000	4,590,450	4,636,355	4,682,718	182,718	4.1
Interest/Dividends	24,000	24,000	24,000	24,000	24,000	0	0.0
Transfers From General Fund	120,000	120,000	120,000	120,000	120,000	0	0.0
Transfers from Transit	34,000	34,000	34,000	34,000	34,000	0	0.0
Total Revenues	**5,378,000**	**5,444,000**	**5,511,080**	**5,579,263**	**5,648,574**	**270,574**	**5.0**
	2018	**2019**	**2020**	**2021**	**2022**	**Change 2018 - 2022**	
Expenditures	**Estimated**	**Projected**	**Projected**	**Projected**	**Projected**	**$**	**%**
MMO	5,922,867	6,041,324	6,162,151	6,285,394	6,411,102	488,235	8.2
EIT Expense	65,000	65,650	66,307	66,970	67,639	2,639	4.1
Retiree Benefits	730,000	773,800	820,228	869,442	921,608	191,608	26.2
Total Expenditures	**6,717,867**	**6,880,774**	**7,048,685**	**7,221,805**	**7,400,349**	**682,482**	10.2
Surplus/(Deficit)	**-1,339,867**	**-1,436,774**	**-1,537,605**	**-1,642,542**	**-1,751,775**	**-411,908**	

Conclusions from General Fund and Act 205 Fund Baseline Projections

Baseline revenue and expenditure operating projections for the City's General Fund and Act 205 Fund **without** implementation of any of the initiatives provided herein by this Recovery Plan indicate that the City will encounter substantial General Fund and Act 205 Fund operating

budget deficits from 2018 through 2022. The City's General Fund operating deficit is projected to increase from $452,459 in 2018 to $1,877,114 in 2022. While the fund balance in the City's Act 205 Fund will cover the $1.4 million deficit for 2018, beginning in 2019 the Act 205 Fund will see increasing operating deficits climbing from $931,671 in 2019 to $1.75 million in 2022. The total combined operating deficits of General Fund and Act 205 Fund over the 2018 – 2022 projection period is a cumulative operating deficit of over $11.9 million. Throughout the projection period, annual operating expenditures exceed annual operating revenues for both Funds. This continued shortfall of operating revenues to operating expenses will negatively impact the City's cash flow during the fiscal year which in turn will jeopardize the City's ability to timely meet employee payroll, satisfy vendor and debt obligations and ultimately imperil the City's ability to provide vital and necessary public services to its residents. **Clearly, the City of Hazleton will not be able to maintain the current level of vital and necessary services to its residents in future years if this revenue and expenditure mismatch is not addressed by revenue increases, expenditure controls, and by a restructuring of the delivery of necessary and vital public services.** (See Table 11-6).

Table 11-6
CITY OF HAZLETON
General Fund, Act 205
Baseline Surplus/(Deficit)
Projections 2018 - 2022

	2018	**2019**	**2020**	**2021**	**2022**
	Estimated	**Projected**	**Projected**	**Projected**	**Projected**
General Fund	-$452,459	-$910,355	-$1,264,784	-$1,571,984	-$1,877,114
Act 205 Fund	$0	-$931,671	-$1,537,605	e	-$1,751,775
Annual Deficit	-$452,459	-$1,842,026	-$2,802,389	-$3,214,526	-$3,628,889
Cumulative Deficit	-$452,459	-$2,294,485	-$5,096,874	-$8,311,400	-$11,940,289

Recovery Plan Initiatives

The Coordinator's team has developed several revenue and expenditure initiatives to eliminate the projected operating deficits and to provide for a stable fund balance through the projection period. Because many of the actions outlined under this Recovery Plan require significant planning, cooperation, and a level of uncertainty concerning revenue increases or expenditure decreases, the Coordinator cannot determine a reasonable dollar value impact from every initiative, contained in this Recovery Plan.

Revenue Initiatives

The Coordinator recommends that the City implement the following Initiatives as a means to increase tax revenue, reduce tax collection expenses and improve voluntary compliance.

REV-1 Modify Earned Income Tax Rate Structure.

Currently, the City levies its resident and non-resident earned income taxes pursuant to Act 511 of 1965 (the Local Tax Enabling Act) and Act 205 of 1984 (the Municipal Pension Plan Funding Standard and Recovery Act). Act 47 allows the City to increase its earned income tax rates beyond the maximum rates allowed by law. It is the Coordinator's opinion that the Act 47 authority to increase the City's earned income tax rates will assist the City with eliminating the projected operating deficits and improve the cash flow issues identified in this Recovery Plan. Therefore, upon adoption of this Recovery Plan, the City shall begin the process of modifying the City's current resident and non-resident earned income tax structure.

Beginning July 1, 2018, the City shall utilize the taxing authority granted by Act 47 to increase its resident earned income tax rate by .60% and increase its non-resident earned income tax rate by .20%. The City shall reduce both its Act 205 resident earned income tax rate and its Act 205 non-resident earned income tax rate by .20%. Thus, beginning July 1, 2018, the total resident earned income tax increase rate will increase by .40% while the total non-resident earned income tax rate will remain unchanged. (See Schedule A on next page).

Schedule A

Resident and Non-resident EIT Rates 2018- 2022

	2018 Budget	2018 Plan	2019	2020	2021	2022
EIT Resident Act 511	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
EIT Resident Act 47	0.00%	0.60%	0.60%	0.25%	0.10%	0.00%
EIT Resident Act 205	0.85%	0.65%	0.65%	1.00%	1.15%	1.25%
Total Resident EIT Rate	**1.35%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**	**1.75%**
EIT Non-Resident Act 511	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
EIT Non-Resident Act 47	0.00%	0.20%	0.20%	0.00%	0.00%	0.00%
EIT Non-Resident Act 205	0.85%	0.65%	0.65%	1.00%	1.00%	1.00%
Total Non-Resident EIT Rate	**1.85%**	**1.85%**	**1.85%**	**2.00%**	**2.00%**	**2.00%**

Immediately upon adoption of this Recovery Plan and as required by Act 47 thereafter, the City shall, through its Solicitor, file with the Common Pleas Court of Luzerne County a petition seeking judicial approval for the City to increase the City's resident earned income tax rate and non-resident earned income tax rate pursuant to Act 47 as detailed in Schedule A. The additional earned income tax levied by the City pursuant to Act 47 shall not be subject to sharing with the school district.

Beginning in 2020, the City shall annually reduce its Act 47 resident earned income tax rate and increase its resident Act 205 earned income tax rates as detailed in Schedule A resulting in an Act 205 resident earned income tax rate of 1.25% in 2022. Also in 2020, the City shall reduce its Act 47 non-resident earned income tax rate by .20% to zero and increase its Act 205 non-resident earned income tax rate by .20%. In addition, in 2020 the City shall increase its Act 205 non-resident rate by .15% resulting in an Act 205 non-resident earned income tax rate of 1.0% in 2020.

REV-2 Consider Replacing the Business Privilege and Mercantile Taxes with a Payroll Preparation Tax.

The Coordinator shall provide to the City an analysis of the impact of a payroll preparation tax replacing the current business privilege and mercantile taxes. The

analysis shall include (to the extent possible using available data) the impact on taxpayers from the payroll preparation tax.

REV-3 Consider Elimination of Resident Tax and Per Capita Tax.

The City currently levies and collects an annual $5 Resident Tax pursuant to the Third Class City Code and an annual $10 Per Capita Tax pursuant to the Local Tax Enabling Act. The Coordinator has estimated that between 2014 and 2017 the City collected approximately $17,000 annually from the Resident Tax levy. After accounting for the City's expense to bill and collect the Resident Tax, the City's gross receipt of revenue from the Resident Tax levy for General Fund purposes may be negligible or in our review may cost the City money more money to bill and collect than revenues received from the Tax. Therefore, the City shall review the impact of eliminating the Resident Tax immediately upon the adoption of this Recovery Plan.

The Coordinator's review reveals that City receives approximately $165,000 annually from the Per Capita Tax levy. The City, along with the Coordinator, shall examine the cost efficiency of maintaining the Per Capita Tax. The examination shall include a review of prior year collections, the delinquency rate and the impact of elimination of the Per Capita on the City's finances to include identifying other revenue sources to replace the Per Capita Tax revenue.

REV-4 Consider Forming a Government Study Commission to Study the City's Current Form of Government.

The City is currently governed under the Third Class City Code and Optional Plan B form of government and is therefore subject to limits on the rate of taxation on property included in the City Code. The City is also subject to other tax rate limits imposed on earned income, realty transfer, and other taxes levied pursuant to the Local Tax Enabling Act. These taxing limits are problematic for the City given the generally low market value, decreasing assessed value and age of real estate. These limits on revenue generation in particular are considered by the Coordinator to be a factor contributing to the City's municipal financial distress.

Under Act 47, the City is enabled to exceed the tax rate limits on real estate and earned income. However, this authority is for a limited time period. When the City's financially distressed status is rescinded the City will be forced to revert to the tax rate limitations of the Third Class City Code and the Local Tax Enabling Act. This will most likely result in the City experiencing difficulty in generating the revenue to provide for the provision of essential services of public safety and health over the long term.

A legal alternative to avoid the possibility of reverting to these tax rate limitations would be for the City's residents to adopt a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, Act 62 of 1972, as amended. Under a home rule charter form of government the City's residents can design a form of government that provides for local control and local governance outside of the City Code. Becoming a home rule municipality would allow City Council to determine the City's tax rates on Real Estate, Realty Transfers and the Earned Income of residents without statutory limitations. Thus, the Coordinator is recommending that City Council consider adopting an ordinance initiating the home rule study process.

REV-5 Perform Cost Indexing of Fees.

Fees charged by the City must be based on the cost incurred from providing the service. Consistent with this requirement, the City should request an Act 47 grant to fund a cost allocation study for the services for which it charges fees, in order to ensure costs incurred are covered by fees charged, minimizing the impact on the General Fund.

REV-6 Review the Tax Exempt Status of Properties in the City.

Although tax exempt real properties are exempt as a matter of law based on the current applicable use of the property and ownership, the City should review the underlying basis for the granting of the exemptions to determine if the property still qualifies for exempt status. Some exemptions may have been granted in the past on prior usage while the current use of the property may or may not be

eligible for exemption from taxation status. Properties owned by religious institutions and not-for-profit organizations should be required to certify to the City the appropriate use for the property and maintain its exempt status. Failure to certify may be reason for the City to challenge the exempt status to the Luzerne County Tax Assessment Office in order to return these properties to taxable status. For those properties that are properly exempt from taxation, the City should consider soliciting increased voluntary contributions, with Payment in Lieu of Taxes (PILOT) agreements, from government, government-sponsored organizations and not-for-profit organizations to reimburse the City for all or a portion of the services provided by the City.

REV-7 Review Master Services and Economic Development Agreement between the City and the Hazleton City Authority.

The total amount paid by HCA to the City as initial compensation was $480,000. Schedule B of the Master Services Agreement provides for approximately $410,000 in annual revenues through 2025. Under the agreement, there are significant categories of cost that are not included including allocable shares of pensions, workers' compensation, employee and retiree health care benefits and salary increases. Moreover, there is no escalation of any of the specific costs in the agreement schedule, notwithstanding the fact that costs of police, fire, public health, code inspection, public works, and other services that require personnel with escalating salaries and benefits must necessarily be paid by the City. The City shall undertake a review of the Master Services and Economic Development Agreement between the City and the Authority along with a comprehensive assessment of the shared costs. After the review the City shall negotiate an updated Amended and Restated Master Services and Economic Development Agreement for the use by HCA of the City's employees, property, offices and facilities, security, health, code enforcement, use of equipment and economic development functions.

REV-8 Review 2009 Option Agreement and Agreement between City and Greater Hazleton Joint Sewer Authority (GHJSA) dated as of March 5, 2013.

The City, West Hazleton Borough, and Hazle Township transferred their respective sewage collection systems to the GHJSA effective January 1, 2013, pursuant to a written agreement. The Agreement is stated to be legally binding for a period of not less than fifty years. The Agreement conveys from the City to the GHJSA all of the combined sewer collection system and necessary facilities (exclusive of the storm water system). Where there is a separate storm water system (MS4), the City retains responsibility. Where there is a combined sewer system, the Authority is responsible under the Agreement.

The City shall undertake an identification of the transferred combined stormwater/sewer pipes and inlets and estimate the compensation for the street sweeping, cleaning and maintenance of such inlets, and other best practices management initiatives relating to the combined system. Upon this review and identification, the City should discuss appropriate compensation for these services from GHJSA.

REV-9 Increase Real Estate Tax Rate as Necessary to Ensure Balanced Budgets.

To the extent that the preceding revenue initiatives are not accomplished or are insufficient to eliminate the City's projected annual budget deficits, the City shall increase the Real Estate tax millage to offset any remaining deficits.

REV-10 Monitor City Cash Flow Balance for Remainder of 2018.

The Coordinator is estimating that the City will have a cash balance at the end of the fourth quarter of 2018 of $160,302. While this is positive, the Coordinator cautions the City to diligently monitor its cash flow during the second half of 2018. The Coordinator's cash flow projections are based only on the City's 2017 cash operations which were made available to the Coordinator by the City and, therefore, lack the foundational depth of several years' observation that the Coordinator prefers when making cash flow projections. Thus, the City, in conjunction with the Coordinator, will monitor its cash balance for the remainder of 2018 and take appropriate actions, including unfunded debt borrowing if

necessary, to ensure the City has sufficient cash on hand for fourth quarter expenses.

Expenditure Initiatives

The Coordinator recommends that the City implement the following Initiatives as a means to address current and long-term expenditure issues that in the opinion of the Coordinator will position the City to exit the Act 47 Program at the end of the five-year term of this Recovery Plan.

EXP-1 Implement a Position/Hiring Freeze.

For fiscal years 2018 and 2019, the City shall not increase the employee count beyond those budgeted in the 2018 General Fund budget, unless otherwise required under this Recovery Plan. The City may reallocate, combine, or create new positions so that the new employee count does not exceed the 2018 budgeted count.

For fiscal years 2020 through 2022, any new employee positions shall not be created without corresponding increased revenues for that position or corresponding expenditure savings through attrition or other means.

Regardless of fiscal year, all new positions intended by the City must be approved by the Coordinator prior to the creation of that position.

EXP-2 Implement Recovery Plan Initiatives that Impact Expenditure Reductions or Increase Productivity.

Throughout the term of this Recovery Plan the City shall undertake those initiatives and recommendations contained in this Recovery Plan as policy and operational priorities, particularly those that will have near term expenditure reductions or operational changes leading to enhanced efficiency.

The impact of implementation of the foregoing Revenue and Expenditure Initiatives that can be quantified and have a significant impact on the City's financial condition are summarized in Table 11-7 on next page.

Table 11-7
CITY OF HAZLETON
Recovery Plan Initiatives and Impact on Estimated and Projected
Operating Deficits
2018-2022

	2018 Estimated	2019 Projected	2020 Projected	2021 Projected	2022 Projected
General Fund	-$603,840	-$809,698	-$1,160,533	-$1,464,057	-$1,765,428
Act 205 Fund	$0	-$931,671	-$1,537,605	-$1,642,542	-$1,751,775
Total	**-$603,840**	**-$1,741,369**	**-$2,698,138**	**-$3,106,599**	**-$3,517,203**
Revenue Initiatives:					
EIT increase Resident		$1,458,440	$1,550,552	$1,566,058	$1,581,718
EIT increase Non Resident		$0	$300,000	$404,000	$408,040
Review Agreement HCA		—	—	—	—
Compensation Services GHJSA		—	—	—	—
Real Estate Revenue Increase:					
		$282,929	$282,929	$282,929	$282,929
			$564,657	$564,657	$564,657
				$288,955	$288,955
					$390,904
	$0	$1,741,369	$2,698,138	$3,106,599	$3,517,204
Net Surplus/(Deficit)	**-$603,840**	**$0**	**$0**	**$0**	**$0**

Other Funds

The City administers several other funds in addition to the General Fund. The principal additional funds that the City administers are:

- Office of Community Development
- General Services
- Liquid Fuels
- Special Recreation
- Debt Service
- Storm Water
- Sewer Improvements
- Airport
- Redevelopment Authority
- Miscellaneous Grants

The City and Coordinator will monitor these funds to insure they are not a strain on the General Fund and the City's ability to provide "vital and necessary" services.

Plan Implementation

Successful implementation of this Recovery Plan will necessitate changes in the way the City currently provides services and how it finances those services. The ultimate goal of this

Recovery Plan is to preserve the community's confidence in the City's ability to effectively deliver appropriate services into the future.

Communication with the Act 47 Coordinator

Reporting

It is important that that the City regularly reports its progress in implementing this Recovery Plan to the Act 47 Coordinator. This, in turn, allows the Act 47 Coordinator, as the agent of DCED, to ensure that the Commonwealth is up-to-date on the status of implementation efforts. Therefore, the City shall provide cash flow, revenue and expenditure status reports to the Act 47 Coordinator no less frequently than monthly during the period it remains under a determination of distress. These reports may be in spreadsheet form, written memo or other form as requested by the Act 47 Coordinator or may take the form of weekly or monthly meetings. Additional on-site meetings involving the Act 47 Coordinator and appropriate officials and employees shall also be held on an as needed basis to review implementation efforts and to aid in the overall recovery plan implementation process.

Submission of Data

The City shall routinely provide the Act 47 Coordinator with all data pertinent to the City's financial recovery effort. For example, the annual budget shall be sent to the Act 47 Coordinator for review as required under the Municipalities Financial Recovery Act. In addition, key management, administrative, and financial decisions made by the City, which may or may not relate directly to the Recovery Plan, shall also be promptly communicated to the Act 47 Coordinator. This is particularly important if these actions entail an abrupt change or alteration in the policies or practices of the City.

Types of Items/Data

Among the specific items which shall be regularly transmitted or made available to the Act 47 Coordinator are:

- Council Meeting Agendas (prior to the meetings) - all regular and special meetings;
- Council Meeting Minutes - all regular and special meetings;
- Notice of any meetings involving the City and third parties on any matter relating to City finances and operations, including any component Authority (e.g., meetings with creditors, vendors, etc.);
- Relevant communications with creditors, vendors, etc.;
- All non-privileged correspondence (in and out, internal and external) on matters relating to employee unions, collective bargaining, arbitration, grievances, etc.;
- All proposed ordinances;
- All litigation initiated/settled;
- All personnel actions (including worker's compensation claims and employee grievances);
- Monthly financial reports (as of the last day of each month) and related documents;
- Major contracts awarded and grant applications made;
- All other relevant correspondence (internal and external, in and out); and
- Anything that the Act 47 Coordinator should be made aware of in regards that materially impacts the operation of the City.

Failure to Comply

If the City and its elected or appointed officials fail to communicate and consult with the Act 47 Coordinator on a regular basis as provided for in this Recovery Plan and/or fail to provide the information, reports or documentation requested by the Act 47 Coordinator, the City may be found to have violated this Recovery Plan which may result in sanctions by the state which includes the withholding of Commonwealth funding.

Cooperation among City's Leadership

Governance and leadership of the City under the Optional Plan B form of government rests with both the Executive (Mayor) and Legislative branch (City Council) of the municipal government. While the Executive-Legislative form of municipal government provides for a form of separation of powers and checks and balances between the two branches, it ultimately requires both branches to work together to provide effective governance and leadership.

In any community (regardless of size of population, area, or distressed status), it is not unusual that the Mayor and City Council will not agree on every issue. However, a fundamental cornerstone of governance is that elected leaders work together on behalf of

all residents to effectively manage municipal financial operations, adopt a balanced budget and maintain municipal services. In Hazleton, continued collaboration, cooperation and compromise will be necessary from all elected officials in order to lead the City.

Once this Recovery Plan is adopted the next step will be implementation. The Mayor (or a designee), representatives from City Council, the department of administration, and key management staff (as appropriate) shall participate in regular meetings, organized by the Act 47 Coordinator, to discuss and execute implementation of the mandates included in this Recovery Plan. Within these meetings, the participants shall freely, professionally, and respectfully discuss key Recovery Plan policy initiatives and determine how each will be implemented. At the implementation meetings, other City specific or management issues may be discussed, including but not limited to finances, human resources, economic development, general operations and intergovernmental cooperation. The Act 47 Coordinator will be responsible for preparing each meeting's agenda and will lead the meetings. These gatherings are intended for a small number of attendees to focus on priority-setting and problem-solving and may result in follow-up assignments and associated progress reports.

Act 47 Program Financial Assistance

Section 302(a) of Act 47 allows a municipality or the recovery plan coordinator to apply to the Department of Community and Economic Development for financial assistance after a fiscally distressed municipality has adopted a recovery plan. The Coordinator believes that the Act 47 Program financial assistance recommendations in this Recovery Plan will assist in stabilizing the City’s fiscal position, improve the City’s operational efficiency and provide the City with reliable long-term plans that address several issues affecting the City. The City, upon adoption of this Recovery Plan and with the assistance of the Coordinator, shall consider applying for financial assistance from the Act 47 Program.

Act 47 Grants

GRANT-1 **Supplement the Wages of an Assistant to the Director of Administration.**

The City shall consider employment of a full time assistant to the director of the department of administration. This employee will be responsible for the preparation of financial reporting, oversight of accounting duties and preparation of financial reports for both the Administration and City Council.

Grant Amount Requested: $40,000.

GRANT-2 **Engage an Information Technology Consultant to assess the City's current IT Structure and to formulate a Multi-Staged Information Technology Improvement Plan.**

The City has not adequately invested in information technology and this lack of investment has increasingly hampered the ability of the City to deliver internal and external services. The City has several separate software and hardware platforms. The City's multiple database configurations is uncommon for a single municipality, especially one providing multiple municipal functions at the level of service the City is providing. The multiple database structure requires daily transactions in one database to be summarized to the main finance database, limiting drill-down and other helpful research functions from the general ledger into applicable sub-ledgers without crossing multiple AccuFund subsystems. The City should consider moving to a single database structure. The City shall engage an information technology consultant to assess the City's current IT structure and to formulate a comprehensive, multi-staged information technology improvement plan. The information technology improvement plan shall include a project implementation schedule ranked by priority IT projects and include a cost estimate for each project.

Grant Amount Requested: To be determined by Coordinator upon consultation with City and DCED officials.

GRANT-3 **Engage a Cost Allocation Consultant**

Fees charged by the City must be based on the cost incurred from providing the service. The City should request an Act 47 grant to fund a cost allocation study for the services for which it charges fees, in order to ensure costs incurred are covered by fees charged, minimizing the impact on the General Fund. This study will provide the City with information necessary to increase general fund revenue:

1. by recovering costs expended on federal and state programs, enterprise funds, and component units and other governmental entities;
2. recover overhead costs by incorporating indirect cost rates in grant applications;
3. identify the full cost of providing services to tax exempt organizations;
4. identify central service costs of supporting internal service funds or enterprise funds, including those costs in the fees charged to users.

Grant Amount Requested**: $**30,000.

GRANT-4 **Engage a Consultant to update the City's Municipal Ordinances.**

The Hazleton Code Book was last updated in 2002. The City has adopted numerous ordinances since that date, many of which are posted on the City's website. However, the entire body of ordinances governing the City, organized by subject matter, is not currently available in a centralized, searchable database. This lack of organization makes it difficult to enforce the City's various codes and ordinances. In addition, it also makes difficult differentiating the functions actually performed by the City, and its staff, and those that are assigned in the City Code. This leads to a misunderstanding of the legislated functions of City government and a

movement towards functioning by convention. Therefore, the City shall engage an experienced consultant specializing in municipal ordinance codification to update the City's Codes.

Grant Amount Requested: Up to $20,000

GRANT-5 **Engage a Consultant to Update the City's Comprehensive Plan.**

The City lacks an up-to-date comprehensive plan. The City's most recent comprehensive plan was prepared in 1992. A municipal comprehensive plan should be reviewed approximately every 10 years. Developing an updated comprehensive plan will assist the City in guiding future growth and development. Therefore, the City shall engage an experienced consultant specializing in municipal comprehensive planning to update the City's comprehensive plan.

Grant Amount Requested: Up to $30,000

GRANT-6 **Engage a Consultant to Assess the City's Parking System.**

As mentioned in this Recovery Plan, the City does not currently have a capital improvement plan for its parking assets nor a strategy to address the City's parking demands. An efficient City parking system is necessary for the City's economic development. Therefore, the City shall engage a consultant to: (1) evaluate the capital needs of the City's parking system; and (2) provide a demand assessment of both the City's off-street and on-street parking.

Grant Amount Requested: Up to $25,000

LISTING OF INTIATIVES

Department of Administration

Structure and Administration

ADSA-1	Establish and Administer a Centralized Purchasing System.
ADSA-2	Enhance or Replace Financial Enterprise Resource Planning System.
ADSA-3	Develop and Enforce Financial and Personnel Policies.
ADSA-4	Enhance the City's Information Technology Infrastructure and Managed Services Model.
ADSA-5	Update Unified City Code Book.
ADSA-6	Examine Applicability of Outsourcing Services.
ADSA-7	Initiate a Government Study Commission.

Employee Health Insurance Initiatives

ADEHI-1	Align Employee Cost Incentives - Copayments and Deductibles.
ADEHI-2	Consider Adjustments to Employee Health Insurance Plan Design.
ADEHI-3	Draft Employee Benefits Handbook.
ADEHI-4	Maintain Regular Contact with Collective Bargaining Units.
ADEHI-5	Encourage Competition Between Health Carriers.

Workers' Compensation Insurance Initiatives

ADWC-1	Explore Partners that Specialize in Public Entity Workers' Compensation Insurance.
ADWC-2	Explore Increasing Workers' Compensation Policy Limits.
ADWC-3	Reduce City's Worker's Compensation Experience Modification.
ADWC-4	Review Application of Benefits and Procedures under PA Heart and Lung Act.

Insurance and Risk Management Initiatives

ADIRM-1	Consider Implementing a Fleet Management Program.
ADIRM-2	Add Sexual Abuse and Molestation Coverage to General Liability Coverage.
ADIRM-3	Review Insured Equipment on City's Inland Marine Policy.
ADIRM-4	Review Increasing Umbrella Liability Coverage.
ADIRM-5	Review the "Personal Injury" Exclusion in the City's Law Enforcement Liability Policy.
ADIRM-6	Review Public Officials Liability Policy.

Police Department

Structure and Administration

PDSA-1	Evaluate Combining the Detective Bureau with the Narcotics Bureau.
PDSA-2	Assign Patrol Officers or Detectives to the DEA and Auto Theft Task Forces.
PDSA-3	Evaluate Eliminating the Position of Police Corporal.
PDSA-4	Restructure the Relationship between the Police and Elected Officials.

PDSA-5	Remove Lieutenant and Captain from the Bargaining Unit.
PDSA-6	Initiate Weekly Meetings between Labor and Management.
PDSA-7	Conduct Weekly Staff Meetings.
PDSA-8	Hold Daily Roll Calls.
PDSA-9	Continue and Expand the Written Policing Strategy.
PDSA-10	Adopt Legitimacy and Procedural Justice as Fundamental Values of the Policing Strategy.
PDSA-11	Expand the Employment of a CompStat Approach.
PDSA-12	Hold a Bi-weekly CompStat Meeting.
PDSA-13	Develop, Maintain and Report Crime and Quality of Life Statistics.
PDSA-14	Perform Crime Analysis.
PDSA-15	Identify Impact Players.
PDSA-16	Continue and Expand Hotspot and Geographic Based Policing.
PDSA-17	Focus on Problem Solving.
PDSA-18	Pursue a Partnership with Consultants that Specialize in Urban Policing.
PDSA-19	Develop and Utilize Performance Metrics.

Community Policing

PDCP-1	Develop and Institute a Plan for Community Policing.
PDCP-2	Understand and Avoid Implicit Bias.
PDCP-3	Increase the Diversity of the Police Department..

Training & Development

PDTD-1	Continue to Provide Leadership Training.

Fire Department

Structure and Administration

FD-1	Maintain Union-Management Cooperation.
FD-2	Create a Written Maintenance Schedule for all Fire Department Apparatus and Equipment.
FD-3	Consider Providing Emergency Medical Services to the Community.
FD-4	Replace Equipment under a Capital Improvement Plan.
FD-5	Implement Firefighter Safety Initiatives.
FD-6	Develop Firefighter Training Initiatives.
FD-7	Examine Radio and Communications for Compatibility with 911 Plan.
FD-8	Review City’s Long-Term and Regional Fire Protection Demands.

Department of Public Works

Structure and Administration

DPWSA-1	Update City Administrative Code to Recognize Organizational Changes in the Department of Public Works.

DPWSA-2	Competitively Bid Engineering-Intensive Functions.
DPWSA-3	Supplement Full-Time Staff with Seasonal Part-Time Employees.
DPWSA-4	Digitize Records and Processes.
DPWSA-5	Reassign the Issuance of Street Sweeping and Snow Ban Violation Ticketing to the Parking Department.
DPWSA-6	Explore Vehicle Leasing Mechanisms and Alternative Capital Equipment Funding Mechanisms.
DPWSA-7	Implement Fuel Best Practices at Hazleton Regional Airport.
DPWSA-8	Conduct Hazleton Regional Airport Study to Maximize Asset Utilization.

Authorities and Enterprises

HCA-1	Review Master Services and Economic Development Agreement between the City and the Hazleton City Authority.
GHJSA-1	Review Option Agreement (2009) and Agreement between City and Greater Hazleton Joint Sewer Authority dated as of March 5, 2013; Negotiate a Shared Services Agreement that compensates the City for street sweeping, cleaning and otherwise maintaining Combined Sewer Overflow infrastructure that is the responsibility of the Authority.
PARK-1	Perform Parking Garages and Parking Lots Capital Needs Assessment.
PARK-2	Perform On-Street Parking Meter Analysis.
PARK-3	Perform Off-Street Parking Demand Assessment.

Workforce and Collective Bargaining

WF-1	Implement a Position/Hiring Freeze.
WF-2	Review and Negotiate the *Recommendations Regarding Adjustments to the City' Collective Bargaining Agreements* identified by the Coordinator as Part of the City's Future Collective Bargaining Negotiations.
WF-3	Comply with the Act 133 Expenditure Limits for future Collective Bargaining Agreements.

Pensions

PEN-1	Define Limited Powers of Aggregated Pension Board.
PEN-2	Clarify Pension Benefits; Adopt Clarified Pension Ordinance; Separate Pension Counsel for Aggregated Pension Board; and Designate a Labor Management Administrator.
PEN-3	Maintain Statutory Compliance with Act 205 Earned Income Tax Revenue.
PEN-4	Obtain Actuarial Recognition of Pension and OPEB Funding.

Economic Development

ED-1	Develop a Citywide Comprehensive Plan and/or Economic Development Strategy.
ED-2	Improve Opportunities for Minority-Owned Businesses.
ED-3	Expand Opportunities to access Business Resources in the City.
ED-4	Continue to Establish the Downtown Business District as a Vibrant “Arts and Innovation” Hub.
ED-5	Engage in Placemaking Throughout the City to create Unique and Vibrant Neighborhoods.
ED-6	Find Ways to Reduce Parking Burdens on Businesses and Visitors to Downtown.
ED-7	Explore Opportunities for Industrial or Warehouse Development along the Beltway Corridor.
ED-8	Consider a Citywide Workforce Development Initiative.
ED-9	Explore Interest in Forming a Business Improvement District.
ED-10	Revise the City’s Zoning Ordinance to Give Greater Flexibility to Businesses.
ED-11	Address Blight and Tax Delinquent Properties by Establishing a Land Bank Initiative.

Revenues and Expenditures

REV-1	Modify Earned Income Tax Rate Structure.
REV-2	Consider Replacing the Business Privilege and Mercantile Taxes with a Payroll Preparation Tax.
REV-3	Consider Elimination of Resident Tax and Per Capita Tax.
REV-4	Consider Forming a Government Study Commission to Study the City's Current Form of Government.
REV-5	Perform Cost Indexing of Fees.
REV-6	Review the Tax Exempt Status of Properties in the City.
REV-7	Review Master Services and Economic Development Agreement between the City and the Hazleton City Authority.
REV-8	Review 2009 Option Agreement and Agreement between City and Greater Hazleton Joint Sewer Authority.
REV-9	Increase Real Estate Tax Rate to Ensure Balanced Budgets.
REV-10	Monitor City Cash Flow Balance for Remainder of 2018
EXP-1	Implement a Position/Hiring Freeze.
EXP-2	Implement Recovery Plan Initiatives that Impact Expenditure Reductions or Increased Productivity.

COORDINATOR'S REVISIONS TO ACT 47 FINANCIAL RECOVERY PLAN FOR THE CITY OF HAZLETON

(Revised June 2018)

PAGE	ACTION
2-6	Revised text in second paragraph.
2-13	Revised Table 2-13
2-14	Revised Table 2-14
2-14	Revised Table 2-15
2-15	Revised Table 2-16
2-18	Added **Table 2-18**
2-18	Added **Table 2-19**
3-26	Added initiative: **ADWC-2 Explore Increasing Workers' Compensation Policy Limits.**
3-27	Added initiative: **ADWC-4 Review Application of Benefits and Procedures under PA Heart and Lung Act.**
3-27	Added initiative: **ADIRM-1 Consider Implementing a Fleet Management Program**.
3-28	Added initiative: **ADIRM-2 Add Sexual Abuse and Molestation Coverage to General Liability Coverage.**
3-28	Added initiative: **ADIRM-3 Review Insured Equipment on City's Inland Marine Policy.**
3-28	Added initiative: **ADIRM-4 Review Increasing Umbrella Liability Coverage.**
3-28	Added initiative: **ADIRM-5 Review the "Personal Injury" Exclusion in the City's Law Enforcement Liability Policy.**
3-29	Added initiative: **ADIRM-6 Review Public Officials Liability Policy.**
4-1	Revised text
4-4	Added section—**Recent Crime Experience**—including new table and graph
4-5	Added section—**Department Recognition**
4-7,8	Revised text
4-9	Revised text in PDSA - 4
4-11	Revised text in PDSA - 7
4-12	Revised text in PDSA - 10
4-13	Revised text in PDSA - 11
4-15	Revised text in PDSA - 13
4-15	Revised text in PDSA - 16
4-17	Deleted PDSA – 18 **~~Utilized direct patrols~~** (entire text deleted).
4-17	Revised text in PDSA - 19
11-2	Revised Table 11-1
11-3	Revised Table 11-2

PAGE	ACTION
11-4	Revised Table 11-3
11-4	Added section: **2018 Cash Flow Estimates. (**including new table).
11-6	Revised Table 11-6
11-12	Added initiative: **REV-10 Monitor City Cash Flow Balance for Remainder of 2018.**
11-20	Deleted grant assistance: **~~Engage a Capital Plan Improvement Consultant.~~**
11-20	Added grant assistance: **Engage a Consultant to Update the City's Comprehensive Plan.**
11-20	Added grant assistance: **Engage a Consultant to Assess the City's Parking System.**