

CITY OF JOHNSTOWN

FOURTH  
AMENDED  
RECOVERY PLAN  
PURSUANT TO THE  
MUNICIPALITIES FINANCIAL RECOVERY ACT

December 12, 2007

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## CHAPTER I

### Introduction

In a petition executed on June 15, 1992, the City of Johnstown (the “City”) requested that the Department of Community Affairs (now the Department of Community and Economic Development or “Department”) determine the City’s eligibility as a distressed municipality under Act 47 (the “Act”). On July 22, 1992, the Department issued its consultative evaluation which found that the City met three of the Act’s criteria for distressed municipalities in that the City had maintained a deficit over a three-year period; expenditures had exceeded revenues for three years or more; and the City had experienced a decrease in a quantified level of municipal service from the preceding fiscal year.

Based upon these findings, and following a public hearing held on July 22, 1992, the Department found that the City was distressed pursuant to the criteria set forth in the Act. On September 18, 1992, Eckert Seamans Cherin & Mellott was appointed Coordinator for the City under the Act. On January 15, 1993, the Commonwealth and Eckert Seamans Cherin & Mellott executed a contract setting forth the Coordinator’s responsibilities.

The Recovery Plan was filed with the City Clerk on April 14, 1993. The Plan Coordinator then held a series of meetings to discuss the filed Plan with the Mayor and the Administration, Council, the City’s collective bargaining units and other individuals and organizations. On May 4, 1993, the Coordinator held a public hearing in Council chambers to receive comments and questions on the Plan from the Public.

As a result of these meetings and in response to comments received, the Coordinator made certain revisions to the Plan as filed. Council adopted the Plan, as revised, on May 26, 1993.

On July 13, 1994, Council enacted Ordinance No. 4675 amending the Plan to incorporate the Point Stadium Study, dated April, 1994. The Study was prepared by Steven W. Mack through a Peer to Peer Technical Assistance Grant from the Department, as mandated by the Plan.

Over the initial 3 1/2 year period of implementation of the Recovery Plan, the City made substantial progress. Nevertheless, significant aspects of recovery addressed by the Recovery Plan required continuing and increased emphasis. Based upon an analysis contained in the Amended Recovery Plan, the Plan Coordinator concluded that although substantial progress had been made in implementing Plan recommendations and stabilizing the City's financial status, nevertheless the conditions leading to distress had not all been alleviated and the City should therefore continue to operate pursuant to the Act and an Amended Recovery Plan.

Pursuant to Ordinance No. 4766, enacted by Council on February 26, 1997, Council approved the adoption and implementation of an Amended Recovery Plan. Pursuant to Resolution No. 8431 adopted by Council on March 12, 1997, Council authorized amending the plan to incorporate a Comprehensive Recreation, Parks and Open Space Plan, prepared by Herbert, Rowland and Grubic, Inc. pursuant to a grant from the Commonwealth.

Over the following 3 year period, the City continued to make substantial progress in implementing plan recommendations and stabilizing the City's financial status. Nevertheless, the conditions leading to distress were not all alleviated and the Coordinator recommended that

the City should therefore continue to operate pursuant to the Act and a Second Amended Recovery Plan.

Pursuant to Ordinance No. 4848, enacted by Council on January 3, 2000, Council approved the adoption and implementation of the Second Amended Recovery Plan.

In the fall of 2002, the Coordinator reviewed the progress made by the City since adoption of the Second Amended Recovery Plan. Based upon that analysis, the Coordinator concluded that although substantial progress continued to be made in implementing Plan recommendations and stabilizing the City's financial status, nevertheless the conditions leading to distress had not all been alleviated and the City should therefore continue to operate pursuant to the Act and a Third Amended Recovery Plan.

Pursuant to Ordinance No. 4900, enacted by Council on December 30, 2002, Council approved the adoption and implementation of the Third Amended Recovery Plan.

In the fall of 2005, the Department and the Coordinator again reviewed the City's progress in implementing plan recommendations and stabilizing the City's financial status. On December 8, 2005, the Department held a public hearing in Johnstown to review that progress and financial status. During 2006 and the fourth quarter of 2007, the Department and Coordinator have reviewed the City's 2005 and 2006 audited financial statements and the City's actual revenues and expenditures through September, 2007. The results of those reviews are described in Chapter III.

Based upon these reviews and analysis conducted in 2006 and 2007, the Coordinator concluded that the conditions leading to distress had not all been alleviated and that the City should therefore continue to operate pursuant to the Act and a Fourth Amended Recovery Plan.

Pursuant to Ordinance No. 5009 enacted by Council on December 12, 2007, Council approved the adoption and implementation of the Fourth Amended Recovery Plan.

## CHAPTER II

### Administration and Community and Economic Development

Since the adoption of the Third Amended Recovery Plan in January, 2002, the City continues to make significant progress in implementing the plan recommendations. Chapter VI outlines the plan recommendations requiring continuing implementation.

Financially, although the City developed a general operating fund balance in 2001 of over \$700,000, by 2005 the City was experiencing a core operating deficit of over \$1 million. Although the City was able to balance its budgets during that period with fund transfers, including predominantly sewer fees, the annual operating deficits grew as a result of a stagnant, or even declining, real estate tax base and increasing personnel costs due primarily to increases in compensation, health benefit premiums, worker compensation and pension liabilities. These negative developments were somewhat tempered by some increases in business taxes, the new Emergency and Municipal Services Tax (EMST) and deed transfer taxes and by the City's continuing efforts to build the tax base through its economic and community development efforts. These financial and development trends are discussed in more detail in Chapter III.

Administratively, the City has successfully made the transition from its third manager under the Council-Manager form of government to its fourth manager. Curt Davis, formerly Assistant Manager, was appointed Manager on April 22, 2006. He succeeded Jeff Silka who had been appointed as Manager in April, 2002. The City has also maintained the position of Assistant Manager with the appointment of Bruce Haselrig as Assistant Manager to replace Curt Davis. In addition, the City has continued to implement new computer hardware and software in the Finance Department. These improvements have facilitated more timely and complete financial reports and efficiency in budget preparation, but work remains to be done.

City services, and the capacity to provide new services, have also improved. The Fire Department has vastly increased its ability to respond to hazardous materials accidents/spills and its training officer is now providing standardized training with all platoons. As of June 13, 2006, every member of the Fire Department had completed the sixteen (16) hours of training to be Incident Safety Officer certified. The Recreation Department has overseen significant improvements to several neighborhood playgrounds. Recreational programming is also available at these sites. Roller hockey, tennis and basketball courts are now lighted and walking trails have been added to Roxbury Park, which has become a very actively used facility. The Point Stadium Project has been completed, including the placement of artificial turf. Both local high schools and the local college have committed to usage next year. Concert promoters have been contacted and the entire project has been coordinated with the expansion of Festival Park by the Johnstown Area Heritage Association for use in their activities.

Progress is being made with tourism. Major events occurring in the City now include the Folk Fest, the Keystone Games, Thunder in the Valley and the AAABA tournament.

Finally, the community and economic development recommendations in the Plan continue to demand attention. These efforts, and the resulting increase in the City's tax base, are essential to the City's ability to provide essential public services at an affordable cost.

The City's "Renaissance Complex" is a major new and completed initiative. Renovations to the County's War Memorial such as structural upgrades, new ice rink cooling equipment and new restrooms and concession stands are included. The City's new Conference Center is completed, including the "Intermodal Transportation Center" (parking garage). A grant has been received for the placement of an automated pay station entry/exit system to allow 24 hour/7 day access to the Intermodal Transportation Center.

In addition, site work and construction are underway to transform the former Sani-Dairy property into Conemaugh Enterprises, Inc.'s Greater Johnstown Technology Park. The dairy has been demolished, and the resulting 16,000 tons of stone are being used to raise the site above the flood plane. The Technology Park will house information technology, medical research and biotechnology companies. Phase I of the project consists of a three story, 95,000 square foot building.

### Housing Strategy

Council adopted a Housing Strategy on April 27, 2005. This strategy, along with the Neighborhood Revitalization Strategy Area (NRSA) discussed below, addresses one of the City's most enduring and intractable problems – the continuing deterioration of the City's aging housing stock. Pursuant to the Strategy, the City has initiated the following activities.

A. The City, through its Codes and Permits Department, has developed a database of all vacant property in the City. A new Demolition Policy and Procedure has been put in place to prioritize properties on the demolition list. The Demolition Committee, consisting of the City Manager, Assistant City Manager, Director of the Department of Community and Economic Development and the Director of the Codes and Permits Department, meets quarterly to review the list and files for each property. The list is also being cross-referenced to show which properties are eligible to be processed through the Vacant Property Review Committee (VPRC) for acquisition by the Johnstown Redevelopment Authority. The Codes Officials are updating the violation history of all of the properties to determine which properties have exhausted the time limits for appeal and are eligible to be taken to the VPRC for certification. The first list of properties certified as blighted was taken to the VPRC in December, 2005.

B. The City has purchased five properties along the Franklin Street corridor for \$120,000. The houses have been demolished, opening 34,000 square feet of contiguous open land for development. Three of the five properties are being sold through the Redevelopment Authority for development by a local expanding business.

C. The City, through its Department of Community and Economic Development and the Police Department, has compiled a list of “notorious properties.” This list is available for use in determining City efforts to acquire property for the Land Bank.

Some of the state funding sources identified below in the NRSA discussion would be eligible to help fund the Housing Strategy. The City’s priority for grants under ACT 47 is particularly valuable over the next 3 years in order to advance this critical element of the City’s recovery.

#### Neighborhood Revitalization Strategy Area (NRSA)

The City’s Neighborhood Revitalization Strategy Area (NRSA) was submitted to HUD which approved it on February 2, 2005. The strategy addresses the City’s Kernville and Downtown neighborhoods. The significance of an approved NRSA is that it allows the City to use CDBG funds with more flexibility in such areas as job creation/retention, housing programs and provision of public services.

The City is continuing to use neighborhood meetings for input on both the CDBG and City programs. The NRSA has placed four new projects in the downtown and Kernville areas. Two business in Kernville are medical in nature, and the Downtown project is residential revitalization of an old building into loft apartments. Both are identified under later headings. The neighborhoods of Kernville, West End, 8<sup>th</sup> Ward, Moxham, Oakhurst and Hornerstown have

formed committees that meet on a regular basis with City personnel to do community projects and coordinate activities with the City.

Upon approval by HUD of the NRSA, the City held three stakeholder meetings with residents, business and organizations focused on the Strategy's three major focus areas: human services, housing and economic development. Those meeting were held on March 27, June 20 and July 27, 2006.

The following projects are currently underway in these three focus areas:

A. Human Services – A task force of agencies offering human services in the Downtown and Kernville neighborhoods has been formed to determine what needs are not being offered and how best to reach those people in need. The first project of this task force will be a comprehensive directory for the services offered and an Information Fair for residents to talk with the agencies regarding needed assistance.

B. Housing – The City has secured a \$245,000 Anchor Building Grant from DCED for a mixed used project on Clinton Street – Cool Beans Coffeehouse/Mock Tower Lofts. This project will result in a first floor coffee shop and the first market rate housing units (condominiums) in the Downtown in decades. In addition, a new four unit market rate townhouse complex is being completed in the 8<sup>th</sup> Ward section of the City. The City has also started an Artist Relocation Program to attract artists to the Kernville neighborhood to set up residences, galleries and studios in properties that they will own and renovate. The City is also working with a local CDC to research additional housing opportunities in the Downtown and Kernville. Housing remains a high community development priority. As part of the City's FY 2006 CDBG Funding Strategy, the City has allocated \$160,000 to the Owner Occupied Housing Rehabilitation Program, \$225,000 to the First Time Homebuyer Program, \$254,000 to Public

Improvements, and \$127,500 to Code Enforcement. In addition, the City has allocated \$150,000 to the regular City-wide Demolition Program to demolish vacant substandard housing.

C. Economic Development – The Cool Beans Coffeehouse/Mock Tower Lofts will create much needed housing opportunities but it also could add significantly to the tax base. In addition, in Kernville, a doctor's office and information technology firm will share a new \$300,000 building on the corner of Franklin and Dibert Streets, adding at least 7 new jobs. For future growth, the City has acquired 35,000 square feet of blighted property along Franklin Street as discussed above.

Upper Main Street Revitalization and Development are moving forward with the Mock Loft Towers, the completed Clinton Street Enhancement Project, a \$1.5 million upgrade of the Transit Center, and the groundbreaking in November of 2006 for a new bank at the former Swank Building site.

The City has also identified several potential state funding sources to support this Strategy:

- DCED Anchor Building Program
- DCED Main Street Program
- DCED Elm Street Program
- DCED KIZ
- DCED Enterprise Zone Grant and Tax Credits
- DCED Brownfields for Housing
- DCED Urban Development Program
- DCED Housing & Redevelopment Assistance Program
- DCED Business in our Sites
- DCED Neighborhood Assistance Program
- DCED Employment and Community Conservation-Supported Work Program
- DCED Opportunity Grant Program
  
- DCNR Community Conservation Partnerships Program
  
- PHFA MUFFI Program
- PHFA Home ownership Choice Program

Again, the City's priority for grants under Act 47 is valuable to this effort to address three of the City's most critical needs – improved human services, especially to the elderly, new housing and longer term community and economic development with an increased tax base.

#### Goals For 2006 – 2009

The City intends to continue emphasis upon development of market rate housing by purchasing lots, demolishing structures and thereby creating parcels of over 20,000 square feet for developers. Construction of townhouse and single family houses will be encouraged, including development of second floor housing in the Downtown.

The development of a “Life Science Corridor” between Franklin and Napoleon Streets in Kernville, linking the two hospital campuses and new Technology Park, is a priority. The project includes the assembly and demolition of structures and development of a Life Science Incubator facility. ITSI Bioscience broke ground on November 30, 2006 for a new 12,000 sq. foot building.

The City has applied to the Department for a Land Use Planning and Technical Assistance Program (LUPTAP) grant to support this project. The proposed scope of work under the grant, to be performed by Kairos Design Group, Lemoyne, Pennsylvania, includes (1) analysis (collection of available studies and plans and review of relevant ordinances), (2) master planning (design objectives, conceptual alternatives, phasing plan) and (3) financial feasibility (market analysis, financial modeling and strategy). The planning includes the solicitation and development of relations with the private development community and obtaining its input into the final development strategy.

The City and the Redevelopment Authority will continue to develop for re-use the Cambria Iron Complex. The Machine Shop building has been leased to Johnstown Plate which

is upgrading the building and anticipates adding 75-100 new jobs over the next 18 months. The Axle Works continues to increase employment, growing to 120 employees from one employee four year ago. Progress is also being made in remediating and restoring the historic Blacksmith's Shop, built in 1854, as an historical landmark and attraction.

The City is also pursuing Main Street designation, through its Discover Downtown Partnership, which would retain a Main Street Manager. All four Discover Downtown Partnership public meetings have been held with attendance averaging 110- citizens per meeting. A vision statement has been written and committees have been established for (1) Organization, (2) Design, (3) Economic Restructuring and (4) Promotion. The City has been a core participant in the process to assure coordination and cooperation with the Program.

The City, through the Economic Development Partnership, consisting of the City's Economic Development Department, the Redevelopment Authority and JARI, is continuing to meet, establish economic development priorities for the City and coordinate efforts for the recruitment of business to the region and the City.

All of these community and economic development efforts should be pursued with the goals of the Southern Alleghenies Regional Action Plan in mind. In fact, the Action Plan's emphasis on initiatives supporting small entrepreneurs, housing and developing a useful workforce are consistent with the City's own efforts, particularly in affordable housing as described above.

## CHAPTER III

### The City's Financial Condition

Based on a comprehensive review of the City's finances, it appears that the City's financial condition weakened in 2005 and 2006 and is projected to weaken further during fiscal years 2007, 2008 and 2009. According to the City's audited financial statements, the City went from a positive general operating fund balance in 2001 of over \$752,000 to a core operating deficit of (\$1,032,208) by year end 2006. The operating core balance for fiscal year 2006 is a deficit even after a tax increase and a carry over of sewer receipts from 2005. The increasing negative fund balance is a result of a stagnant and, in some years, declining tax base and increasing personnel costs due primarily to higher compensation, health benefit premiums, workers compensation, and pension liabilities. Figure 1 below shows the deteriorating fiscal condition of the City finances.

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Surplus (Deficit)</b>
2002	\$8,352,173	\$ 8,804,583	\$ (452,410)
2003	\$9,017,546	\$ 9,119,090	\$ (101,544)
2004	\$9,337,910	\$ 9,907,617	\$ (569,707)
2005	\$9,434,659	\$10,559,659	\$(1,125,000)
2006	\$9,580,850	\$10,613,058	\$(1,032,208)

**Table 1. Financial Report-General Fund Operating Revenues & Expenditures  
Wessel & Company July 11, 2007**

One significant problem for the City was addressed in 2002. The City's Home-rule Charter was amended by referendum on November 5, 2002 to remove the 3rd Class City Code tax limitations. As a result, the real estate tax millage that was dedicated to debt service was made available for general purposes, thus averting a significant fiscal crisis in 2002. However, the City continued to suffer from stagnation in its real estate tax base and, in 2005, realized the loss of the non-resident earned income tax. The non-resident tax, which was dedicated to capital expenditures only, was eliminated pursuant to initiatives contained in the Act 47 Plan. The City levied an additional 3 mills of real estate tax in order to produce enough revenue to maintain the City services in 2006 at the same level as they were in 2005. In 2007, the City again raised real estate taxes by 3 mills and made a decision not to fill several vacant positions in order to maintain services for the City at the same level. The tax increases for 2006 and 2007 were the first real estate tax increases since 1994. The history of the tax increases and tax collection per mill are shown in Figure 2. below.

<b>Year</b>	<b>Total Mills</b>	<b>Total Collection</b>	<b>\$ Per Mill</b>
<b>2002</b>	36.44	\$5,561,567	\$152,623
<b>2003</b>	36.44	\$5,109,193	\$140,208
<b>2004</b>	36.44	\$4,995,440	\$137,087
<b>2005</b>	36.44	\$4,908,153	\$134,691
<b>2006</b>	39.44	\$5,254,586	\$133,230
<b>2007</b>	42.44	\$5,517,200	\$130,000

**Table 2. Five-year history of real estate tax rates and tax collection and 2007 projection.**

The City's revenue trends continue to strain its ability to pay for basic services, including infrastructure repairs, public safety, and other service delivery. While the recovery program initially was successful in helping Johnstown turn the corner, the City has not arrived at its destination of a strong, sustainable financial base. The residents' expectations for delivery of

basic services will continue to exceed the City's resources until its business climate improves and its population stabilizes. Cost control, especially in personnel and related expenses, is essential in order to avoid a continuing structural deficit in its core operating funds.

Figure 3 below summarizes the City's deteriorating fiscal position over the past several years by reporting audited revenues and expenses for fiscal years 2004, 2005, 2006 and the 2007 budgeted amounts.

<b>Revenues:</b>	<b>2004 Audited</b>	<b>2005 Audited</b>	<b>2006 Audited</b>	<b>2007 Budget</b>
RE Taxes-GL	\$ 3,450,941	\$ 3,440,143	\$ 3,404,627	\$ 3,469,826
Act 511	\$ 1,805,649	\$ 2,424,511	\$ 2,420,954	\$ 2,653,342
PILOT	\$ 250,000	\$ 175,000	\$ 160,000	\$ 160,000
Lic & Permits	\$ 534,862	\$ 479,340	\$ 514,893	\$ 506,170
Fines & Forfeit	\$ 129,983	\$ 167,962	\$ 180,993	\$ 146,072
Grants	\$ 1,046,962	\$ 759,731	\$ 514,874	\$ 846,461
Departmental	\$ 1,053,531	\$ 1,093,790	\$ 1,096,880	\$ 1,837,279
Interest/Inv	\$ 61,045	\$ 75,803	\$ 103,641	\$ 90,000
Interfund	\$ 795,363	\$ 786,397	\$ 969,336	\$ 717,513
Other	\$ 209,574	\$ 31,982	\$ 214,652	\$ 568,416
<b>TOTAL</b>	<b>\$ 9,337,910</b>	<b>\$ 9,434,659</b>	<b>\$ 9,580,850</b>	<b>\$10,995,079</b>
<b>Expenditures:</b>				
General Govt	\$ 167,852	\$ 234,525	\$ 181,719	\$ 172,905
Finance	\$ 3,117,782	\$ 925,042	\$ 1,168,419	\$ 1,541,855
Fire	\$ 1,986,353	\$ 2,881,349	\$ 2,819,921	\$ 2,832,685
Police	\$ 2,696,657	\$ 3,673,521	\$ 3,690,983	\$ 3,749,620
Comm Dev	\$ 210,611	\$ 269,117	\$ 229,762	\$ 178,097
Public Works	\$ 1,728,362	\$ 2,576,105	\$ 2,522,254	\$ 2,519,917
<b>TOTAL</b>	<b>\$ 9,907,617</b>	<b>\$ 10,559,659</b>	<b>\$ 10,613,058</b>	<b>\$10,995,079</b>
<b>Excess Revenue</b>	<b>\$ (569,707)</b>	<b>\$ (1,125,000)</b>	<b>\$ (1,032,208)</b>	<b>\$ -</b>
<b>Over/(Under) Expenditures</b>				

Table 3. Three-Year Recent History of Revenues, Expenses and Core Operating Deficits  
Wessel & Company Audited Financial Statements  
Statement of Revenues, Expenditures, & Changes in Fund Balances

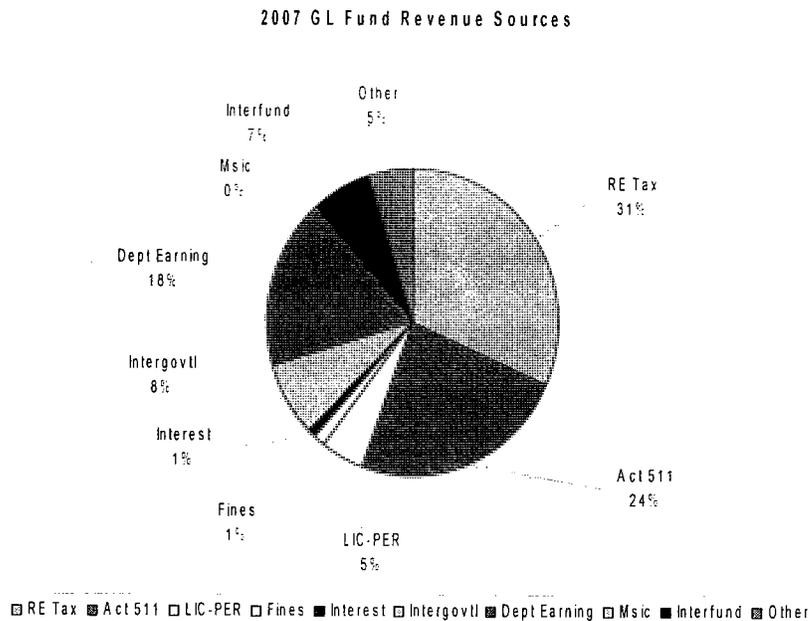
## Analysis

The City of Johnstown has experienced a stagnant tax base and escalating revenues for the past five years. The following information is provided regarding the 2004, 2005, and 2006 audited financial statements and the 2007 budget and related matters.

### General Fund

#### Revenue

The City of Johnstown's general fund includes activities related to the general operation of the City government supported by the following major revenue categories: real estate tax, taxes authorized under Act 511, licenses and permits, fines and forfeits, departmental earnings and intergovernmental revenue. The graph below demonstrates the various sources and relative percentages for revenue that are generated for general operating purposes.



**Figure 1. 2007 Revenue by Source**

Overall, the city general fund revenues have increased an average of only 2.7% per year over the past five years as demonstrated in Figure 4 below.

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>% Increase (Decrease)</b>
2002	\$ 8,352,173	N/A
2003	\$ 9,017,546	7.97%
2004	\$ 9,337,910	3.55%
2005	\$ 9,434,659	1.04%
2006	\$ 9,580,850	1.55%
<b>Average Increase</b>		<b>2.70%</b>

**Table 4. Five Year History of Total Operating Revenues**

For budget year 2006, the City was forced to increase taxes from 36.44 mills to 39.44 mills in order to maintain the same level of services as was provided in the past to City residents. (NOTE: The City of Johnstown's Home Rule Charter, amended in 2002, now has no cap on real estate millage.) In 2007, the City was again forced to increase real estate taxes from 39.44 mills to 42.44 mills to maintain the same level of services. The City also left vacant several positions in the departments in order to deliver a balanced budget.

The specific sources of tax revenue for the City have either remained relatively flat or demonstrated a decreasing trend. The real estate tax collection, which makes up 31% of the City's budget and is the largest source of the City's revenue, has actually experienced a decrease since 2001 due to assessment appeals while, during the same period, non-taxable property assessments in the City have risen. As a result, the collected dollars per mill of real estate taxes has decreased from about \$150,000 per mill in 2002 to a projected \$130,000 per mill in 2007. Furthermore, the current percentage of assessed value for tax-exempt properties in the City has risen to 51%. Since real estate tax collection comprises about one-third of the City's budget, this decline in assessed value has had a devastating impact on the City's ability to support service delivery without increasing tax rates over time.

<u>Years</u>	<u>Taxable</u>	<u>Non-Taxable</u>	<u>Taxable % Inc</u>
			(-) Dec
1994	\$180,499,240	\$168,241,460	
1995	\$160,403,640	\$114,837,670	-11.13%
1996	\$152,598,940	\$117,164,470	-4.87%
1997	\$149,701,940	\$119,033,130	-1.90%
1998	\$144,396,360	\$120,509,710	-3.54%
1999	\$143,781,280	\$121,800,460	-0.43%
2000	\$144,755,840	\$119,231,480	0.68%
2001	\$155,662,560	\$108,768,280	7.53%
2002	\$142,561,560	\$117,070,720	-8.42%
2003	\$142,238,700	\$115,619,300	-0.23%
2004	\$142,238,700	\$115,619,300	0.00%
2005	\$135,738,910	\$133,635,550	-4.57%
2006	\$133,698,720	\$134,342,570	-1.50%
2007*	\$133,698,720	\$134,342,570	0.00%

Table 5. History of Property Assessments for 14 Years  
2007 Estimate from Cambria County Assessment

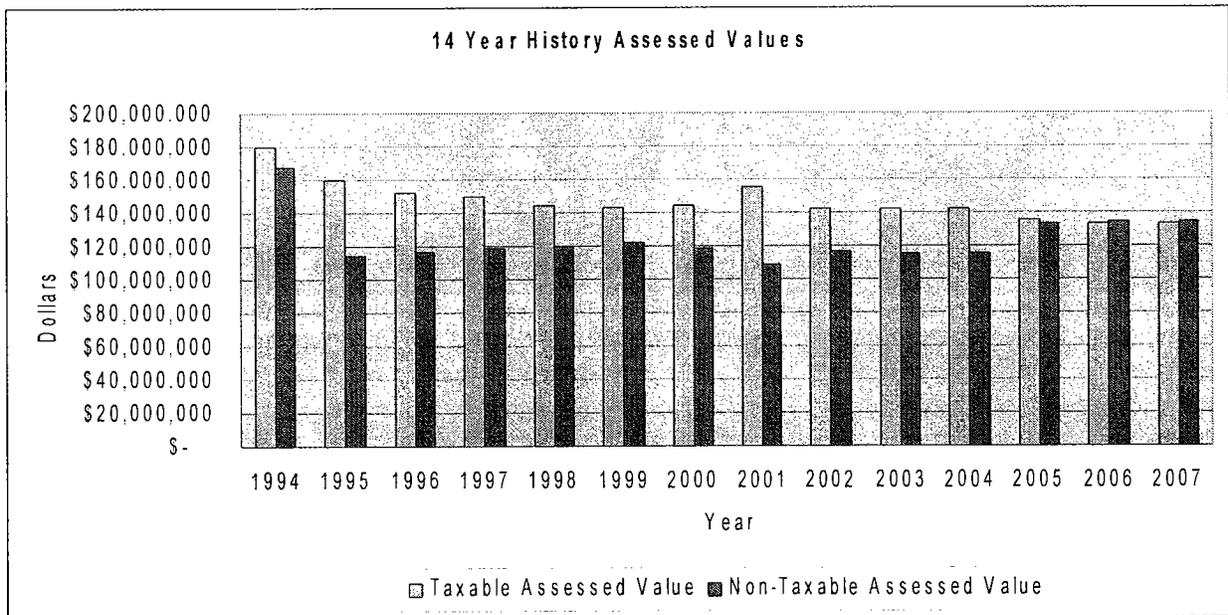


Figure 2. Fourteen-Year History of Taxable and Non-Taxable Assessed Property Values

In contrast, the City's next largest source of revenue, taxes derived from Act 511, has exhibited solid increases in collection of business taxes and from the new Emergency and Municipal Services Tax (EMST) levy (which will be changed to Local Services Tax effective January 1, 2008) but has shown decreases in earned income tax collections as the City's increased non-resident rate has been eliminated pursuant to Act 47 Recovery Plan initiatives.

<b>Year</b>	<b>Act 511</b>	<b>% Inc/Dec</b>
<b>2002</b>	\$ 1,587,720	N/A
<b>2003</b>	\$ 1,686,218	6.20%
<b>2004</b>	\$ 1,805,649	7.08%
<b>2005</b>	\$ 2,424,511	34.27%
<b>2006</b>	\$ 2,420,954	-0.15%
<b>2007*</b>	\$ 2,653,695	9.61%

**Table 6. Five Year History of Act 511 Tax Collection**  
\* Projection from 2007 Budget

The mercantile and business privilege taxes have demonstrated increasingly positive collection trends over the past several years with the exception of 2006's collection which was slightly lower than 2005. However, even the additional revenue generated from the business taxes is not enough to completely offset the declining and flat revenue trends from other sources.

<b>Year</b>	<b>Business Taxes</b>	<b>% Inc/Dec</b>
<b>2002</b>	\$ 462,014	N/A
<b>2003</b>	\$ 503,252	8.93%
<b>2004</b>	\$ 511,575	1.65%
<b>2005</b>	\$ 546,982	6.92%
<b>2006</b>	\$ 535,446	-2.11%
<b>2007*</b>	\$ 545,000	1.78%

**Table 7. Five-Year History Mercantile & Business Privilege Taxes**  
Wessel & Company-Financial Statement Audit Executive Summary July 11, 2007

With the exception of one large collection in 2005, deed transfer tax has also been flat over the past three years. And the collection of EIT has been problematic because collections have decreased dramatically due to the systematic elimination of the special levy provided under Act 47 from 2000 through 2007.

Year	EIT-GL Fund	EIT-Dedicated	EIT Total	Inc/Dec
2002	\$ 795,213	\$ 848,643	\$ 1,643,856	N/A
2003	\$ 804,539	\$ 789,795	\$ 1,594,334	-3.01%
2004	\$ 864,475	\$ 719,936	\$ 1,584,411	-0.62%
2005	\$ 824,420	\$ 277,762	\$ 1,102,182	-30.44%
2006	\$ 880,246	\$ 201,706	\$ 1,081,952	-1.84%

**Table 8. Five-Year History of Earned Income Tax Collection  
Wessel & Company – 2007 EIT Report of Collections**

The only other positive trend for major revenue sources for the City has been in the Licenses and Permit category which has been driven by increased revenue from the cable TV franchise fees to the City. (NOTE: Even this revenue category is at risk because of the increasing use of alternate television and satellite options by consumers and pending federal and state legislation that could require open competition with current franchise holders without guarantees for franchise fees to municipalities.)

Year	License-Permits	Inc/Dec
2002	\$ 502,122	N/A
2003	\$ 521,965	3.95%
2004	\$ 534,862	2.47%
2005	\$ 479,340	-10.38%
2006	\$ 514,893	7.42%

**Table 9. Five-Year History of Licenses and Permits  
City of Johnstown Financial Statements**

Intergovernmental revenue and departmental earnings are showing negative revenue trends partly due to lower draw downs for projects that have been completed and the transfer of the City's assets to outside ownership (i.e. the sewage treatment plant) or outside management (i.e. the golf course).

The following are observations drawn from a September 2007 review of the City revenue stream:

1. The City's structural core operating fund balance at year end 2005 was a negative (\$1,125,000). The City was able to achieve a positive overall fund balance for the general fund activities by transferring \$1,503,868 from sewer fund receivables into the general fund at year end. Because the City sold the sewage treatment plant to the Redevelopment Authority in 2005, the City did not collect additional sewer fee receivables beginning in fiscal year 2006.
2. The City's structural core operating fund balance at year end 2006 was a negative (\$1,032,208). There was approximately \$285,000 remaining in the City's sewer fund that was transferred into the general fund during fiscal year 2006 in order to close out the fund. This was not sufficient to create a positive overall fund balance for general operating activities for 2006.
3. The City increased its EMST (formerly the occupational privilege tax) to the statutory maximum of \$47.00 in 2005. This generates an additional \$700,000+ in revenue for the City on an annual basis. There will be a negative impact for this revenue effective in 2008 when the collections remitted to the City will be done on a quarterly basis and the fourth quarter will not be deposited with the City until 2009. Furthermore, the up-front low income exemption will erode the revenue collected from persons who fall into this category.
4. The City's general operating revenues have been either flat as in the real estate tax collection or declining as in the earned income tax collection. The City also lost a court case related to the business license fees in 2005 and, as a result, issued refunds in 2005 in the amount of \$30,000 and decreased the fees per license from \$300 to \$100 for 2006 and subsequent periods. This reduction in fees for business licenses was a budgeted decrease in the 2006 and 2007 budget.
5. Timely collection of real estate taxes continues to be a problem. The delinquency problem persists given the length of time before the Tax Claim Bureau is able to bring about tax sales. The City is still over-burdened with tax exempt properties (over 50% of total assessed value).
6. The City is taking the initiative to work with the School District to put additional pressure on their third party collector, CENTAX, to pursue the collection of EIT, Business

Privilege, and Mercantile Taxes in a more rigorous way in order to more aggressively address the delinquent collections.

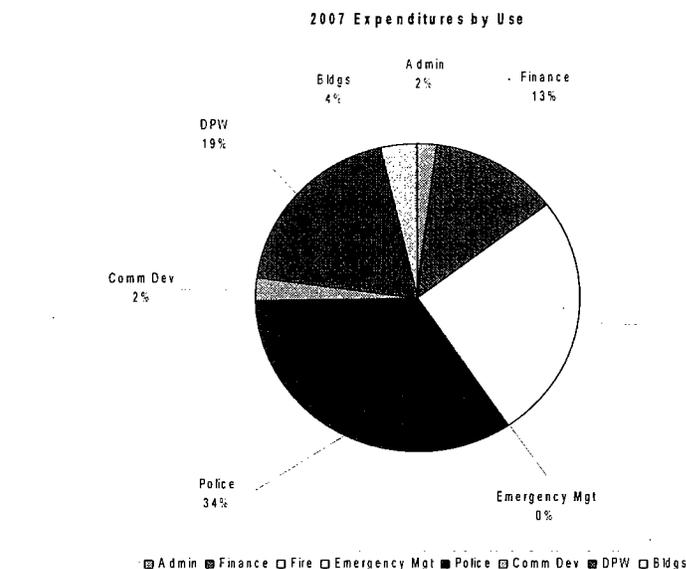
- When the non-recurring revenue is backed out from the City's revenue stream for purposes of identifying the core operating revenue and core operating expenditures, it is clear that the City's fund balance has been in a deficit position since 2002.

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Surplus (Deficit)</b>
2002	\$ 8,352,173	\$ 8,804,583	\$ (452,410)
2003	\$ 9,017,546	\$ 9,119,090	\$ (101,544)
2004	\$ 9,337,910	\$ 9,907,617	\$ (569,707)
2005	\$ 9,434,659	\$10,559,659	\$(1,125,000)
2006	\$ 9,580,850	\$10,613,058	\$(1,032,208)

**Table 10. Five Year History of Revenue and Expense with Deficits  
Wessel & Company – Financial Statements Executive Report July 11, 2007**

### Expenditures

The City's general fund budget includes activities related to the general operation of the City government that include the following major categories: general government, administration and finance, fire department, police department, community development and public works.



**Figure 3. 2007 Expenditures by Use**

Overall, the City's general operating expenses have increased, on average, by 4.8% per year over the past five years. The largest areas of increasing expenses have been in the police department, fire department, and department of public works due primarily to costs for wages and benefits. (NOTE: Capital projects have been funded from a separate capital project fund budget partially supported by the recently eliminated non-resident earned income tax rate under Act 47.)

<b>Fiscal</b>	<b>Total</b>	<b>% Increase</b>
<b>Year</b>	<b>Expenditures</b>	<b>(Decrease)</b>
2002	\$ 8,804,583	N/A
2003	\$ 9,119,090	3.57%
2004	\$ 9,907,617	8.65%
2005	\$ 10,459,659	5.57%
2006	\$ 10,613,058	1.47%
<b>Average Increase</b>		<b>4.80%</b>

**Table 11. Five Year History Total Operating Expenditures  
City of Johnstown Audited Financial Statements**

Public safety expenses make up almost 60% of the City's general operating budget – with the police at 34% and the fire department at 26%. The department of public works makes up another 19% of the budget. Typically in a city budget, between 85% and 90% of the costs are associated with personnel and Johnstown is no exception. The City reported 205 full time and 13 part time employees for the DCED website statistics for 2006. With the exception of the City of Easton at 238 full time and 42 part time employees, the City of Johnstown has more employees than any other third class city of similar size.

Many of the costs of benefits are outside of the City's control with health care expense alone increasing from \$1.6 million in 2001 to \$2.5 million in 2006. Pension costs have also increased significantly from \$1.2 million in 2001 to \$2.4 million in 2007. With such high personnel costs for City employees, there are reduced resources available for areas such as planning, community development, building and code enforcement, recreation, libraries, and other quality of life activities for the community.

1. General Government

Expenses in this area are relatively stable increasing at a rate of 3.5% per year. The City filled the vacant position of Assistant Manager in July of 2006.

2. Finance

The actual expenditures in this department decreased from \$2.7 million in 2001 to about \$1.168 million for 2006 due to the fact that most of the benefits and personnel related costs that were formerly captured in this category have been distributed to the respective departments. This department currently utilizes ten positions including the Finance Director and should be evaluated in terms of the specific functions for each position and the most appropriate level of staffing for the functions that are performed. The City recently implemented an upgraded municipal software system for the finance and accounting department (Pro-Soft) and this system should be used to efficiently monitor costs associated with each employee and each function in all departments so that decisions can be made about proper staffing and whether a contracted service may be more appropriate for some services.

3. Fire Department

The City's fire department, with 41 paid firefighters, makes up about 26% of the City's operating budget at about \$2.8 million for 2006. It is difficult to track the expense trending for the fire department because benefits were distributed to departments beginning in 2005. These escalating costs for health benefits, workers compensation, and pension liabilities are driving the expenses for the delivery of fire service. The table below demonstrates the escalating cost for this service.

<b>Year</b>	<b>Fire Dept</b>	<b>Inc/Dec</b>
<b>2002</b>	\$ 1,885,622	N/A
<b>2003</b>	\$ 1,921,116	1.88%
<b>2004</b>	\$ 1,962,864	2.17%
<b>2005</b>	\$ 2,714,499	38.29%
<b>2006</b>	\$ 2,819,921	3.88%

**Table 12. Five Year History of Fire Department Expenses  
City of Johnstown Audited Financial Statements**

There have been some attempts to contract fire service to other communities but the interest revenue generated by these contracts has been minimal. Structure, scheduling, and staffing levels must be thoroughly reviewed before any vacant positions are filled. Any new work rule initiatives by the IAFF must be carefully analyzed with regard to impact on the City budget.

4. Police Department

The City's police department, with 48 paid police officers including the Police Chief, makes up about 34% of the City's operating budget at about \$3.7 million for 2006. It is difficult to track expense trending for the police department because benefits were distributed to departments beginning in 2005. The escalating costs for health benefits, workers compensation and pension liabilities are driving the expenses for the delivery of police service.

<b>Year</b>	<b>Police Dept</b>	<b>Inc/Dec</b>
<b>2002</b>	\$ 2,578,905	N/A
<b>2003</b>	\$ 2,482,595	-3.73%
<b>2004</b>	\$ 2,696,657	8.62%
<b>2005</b>	\$ 3,673,521	36.23%
<b>2006</b>	\$ 3,690,983	0.48%

**Table 13. Five Year History of Police Expenses  
City of Johnstown Audited Financial Statements**

There are contracts for police services to other municipalities and to the housing authority, but it is unclear whether the revenue generated by these contracts actually covers the cost of providing service to these communities. Structure, scheduling, and staffing levels must be thoroughly reviewed before any vacant positions are filled.

5. Community Development

As in the past, the City enjoys considerable savings through utilization of CDBG funds to fund City projects performed by City employees. It appears that leaving some positions unfilled is still a necessity in order to obtain needed budget savings. The Animal Control program was transferred to the police department in 2006. Higher costs in this department due to the collective bargaining agreements are somewhat mitigated by the use of HUD funding to support positions and activities.

6. Public Works

The Public Works Department is now headed by a Director of Public Works rather than supervised out of the City Manager's office. The City's public works department, with 42 employees, makes up about 19% of the City's operating budget at about \$2.5 million for 2006. It is difficult to track expense trending for the public works department because benefits were distributed to departments beginning in 2005. The escalating costs for health benefits, workers compensation, and pension liabilities are driving the expenses for the delivery of public works service.

Year	Public Works	Inc/Dec
2002	\$ 1,529,207	N/A
2003	\$ 1,605,373	4.98%
2004	\$ 1,728,362	7.66%
2005	\$ 2,576,105	49.05%
2006	\$ 2,522,254	-2.09%

**Table 14. Five Year History Public Works Expenses  
City of Johnstown Audited Financial Statements**

Structure, scheduling, and staffing levels must be thoroughly reviewed before any vacant positions are filled. The City has left positions vacant in this department through 2006, and unfilled positions were carried forward in order to stay within budget in 2007.

7. Health Benefits

Health benefits for all departments have escalated dramatically over the past five years for all full time employees. This expense has increased from \$1,579,109 in 2001 to \$2,513,032 in 2006 – an increase of 59% in five years.

Year	Health Insurance	Inc/Dec
2001	\$ 1,579,109.00	
2002	\$ 1,762,376.00	11.61%
2003	\$ 2,111,105.00	19.79%
2004	\$ 2,252,539.00	6.70%
2005	\$ 2,478,310.00	10.02%
2006	\$ 2,513,032.00	1.40%

**Table 15. Six Year History for the Cost of Health Care Benefits  
Wessel & Company – Financial Statement Executive Summary 2007**

In addition, post-retirement health care benefits have escalated to an annual expense of over \$392,000 with forty-five (45) retirees meeting the eligibility requirements and most employees eligible for full coverage for themselves and dependents at retirement. This liability will be

calculated by the actuaries in order for the City to be in compliance with accounting standard GASB 45. This has a substantial negative impact on the general operating budget.

#### 8. Worker Compensation

Previous worker compensation claims under the City's self-insurance fund are valued at \$1,567,192 and the City's self-insurance fund has assets of \$262,458 at year end 2006. The City became fully insured for Worker's Compensation in 1999 through a contract with Penn Prime for an annual premium amount.

### Capital Fund

#### Revenue

The Act 47 levy that increased non-resident earned income tax helped to support the capital project fund for the City for years but was eliminated in 2005. The residents continue to pay an additional .2 % EIT rate, above the .5% maximum rate under Act 511, under the Home Rule Charter. The revenue generated from the additional .2% is dedicated to fund capital projects. In 2005, the City received approximately \$10 million from the sale of the sewage treatment plant to the Redevelopment Authority. The proceeds were transferred to the capital project fund where approximately \$6 million remains for future capital projects.

In 2006, the City completed a \$6 million general obligation bond issue for projects. Some of the planned capital projects include: improvements to Point Stadium; payoff the Washington County loan for Renaissance project; improvements to City Hall; improvements to the Public Safety Building; improvements to the Washington Street Garage. The 2006 audited financial statements report \$9,610,845 in assets in the capital fund at year end.

The City has developed a business plan for Point Stadium in order to make decisions about the priority of the projects that have been identified. To date, the City has also established a tentative marketing plan and fee structure for the Point Stadium to become revenue generating

in 2008. In addition, the City has entered into an Agreement with the War Memorial Authority for concession services at the stadium. The Authority borrowed \$75,000 to do the build outs in two stands and will pay the City 25% of the profits above the loan payment schedule until the loan is satisfied. Upon loan satisfaction, the City will receive 50% of the net income from the concession stands.

### **Expenditures**

The assets in the capital project fund will continue, in the short run, to allow the City to fund critical projects for the community. The City prepares a Capital Project budget each year that is reviewed and approved by the City Council along with the general operating budget.

### **Recreation**

#### **Revenue**

Recreation in the City is largely funded by a special levy on real estate. This levy, which was 4.494 mills generated over \$599,688 in 2006. This levy was increased in 2007 to 5.9555. There continues to be significant uncertainty about fees, cost recovery and uses for Point Stadium. While most municipalities place recreation programming in a fee-for-service category, the City of Johnstown fees for service only support about 11% of the operating costs for recreation. There is a social component of recreation that fulfills certain quality of life issues for residents. Recreation will, therefore, continue to be largely supported by tax revenue. A detailed cost study should be conducted by the Finance Department to determine whether there is reasonable cost recovery for recreation programs through fees.

#### **Expenditures**

The Recreation Department employs 2 full time positions at Point Stadium, 2 full-time and 2 part-time positions at Roxbury Park Stadium, and a full time Recreation Director with 2

summer assistants. In addition, there is the equivalent of 2 additional public works employees who work at the various City parks in maintenance and labor activities. Expenditures are estimated to be \$885,000 for 2007 and are expected to be covered by the tax levy and fees for services.

## **Sanitation Fund**

### Revenue

The user fee charged to all property owners for pick-up and disposal of refuse supports this Fund. Collections have improved over past years but continued oversight in the area is critical. The revenue trend indicates that there is a revenue increase that averages about 4% per year over the past four years generating over \$1.303 million in revenue for calendar year 2006. The City also annually receives a performance grant from DEP related to recycling activities that was \$81,059 in 2006.

In 2006, the Finance Department worked with Wessel and Company to do a comparison of the sanitation records with those of the water company in order to identify potential users who were not on the City records. The comparison identified discrepancies of approximately 540 accounts. The Finance Department and the Codes Department are working to research the various accounts and hope to return many of them to paying customers.

### Expenditures

The total expenses for Sanitation in 2006 were \$1,390,941. For both 2005 and 2006, the City experienced an operating loss in the sanitation fund bringing the fund balance deficit at year end 2006 to a negative (\$139,898).

The City bid out the solid waste and recycling contract for 2007 and the new contract came in at \$1.174 million. Total costs for this operation are estimated to be approximately \$1.343 million for fiscal year 2007. Fees for service and the state grants for recycling should cover the cost of providing this service.

### **Parking Fund**

#### Revenue

The City continues to pursue its options to increase collections through its on and off-street facilities. The total revenue generated for 2006 was \$1.176 million and estimated to be \$1.182 million for 2007.

#### Expenditures

The 2006 audited financial statements indicate that there was \$ 887,807 in revenue derived from services and \$1,176,711 in expenditures driving the deficit balance in the parking fund to (\$411,841). In 2005, there was a surplus in this fund due to the refunding of the Parking Bonds in 2004 that included a lower debt service payment for 2005. However, beginning in 2006, the bond payment that had been reduced returned to its original higher level. The new parking facility continues to be about 75% full on a regular basis. Currently, the \$1.182 million budget for 2006 includes 1 parking meter serviceman, 2 clerks, and 3 parking enforcement personnel. It is estimated by the Finance Department that the parking revenue will meet or exceed the parking expenditures for 2007.

## **Pension Fund**

### **Revenue**

In 2006 the City levied 8.467 mills on real estate in the City to assist in funding the unfunded actuarial accrued liability (UAAL) for the pension funds. In 2007, this levy was raised to 10.049. This levy generates approximately \$1.125 million. Other revenue for the pension funds includes employee contributions, state aid, and investment returns. From 2003 through 2005, the City experienced actuarial losses in each of the pension funds due to poor investment returns, more retirees than active employees, and higher benefits, as follows: police (\$1,167,710); fire (\$731,173); and officers and non-uniform employees (\$638,740). The total actuarial loss experienced by the pension plans was (\$2,537,623) which has caused the UAAL for the plans to increase from \$8.7 million in 2000 to over \$19 million in 2005. In first quarter 2007, the City hired a pension consultant, Morrison Fiduciary Advisors, Inc. to work with the Pension Committee and the City officials to address investment policy, actuarial assumptions, and investment performance for the four respective pension funds. In August of 2007, the City selected two new investment managers to manage the funds: C.S. McKee in Pittsburgh and State Street Global Advisors in Boston.

### **Expenditures**

Pension costs continue to escalate because of more retirees, higher wages, and additional benefits for employees in the plans. These factors, together with poor investment performance in the funds, has resulted in an increase in the City's annual pension expense from \$1,234,743 in 2001 to \$2,399,197 in 2007 – an increase of 94% in six years.

<b>Year</b>	<b>Pension Expense</b>	<b>Inc/Dec</b>
<b>2001</b>	\$ 1,240,976	N/A
<b>2002</b>	\$ 1,442,476	16.30%
<b>2003</b>	\$ 1,409,061	-2.03%
<b>2004</b>	\$ 1,858,040	31.94%
<b>2005</b>	\$ 1,930,830	6.55%
<b>2006</b>	\$ 2,135,177	7.96%
<b>2007</b>	\$ 2,399,197	12.37%

**Table 16. Seven-Year History of Pension Expenses  
Mockenhaupt - 2007 Pension Actuarial Report**

The Johnstown pension plans received a determination from PERC in 1986 and continue to be in Level III Distress under Act 205 which requires the implementation of mandatory options for higher funding contributions, lower benefits for new hires, and special taxing authority.

### **Post Retirement Health Care Liability**

Currently, the City is on a pay as you go program for funding post retirement health care benefits. During 2006, this expenditure was \$392,788. Beginning in 2007, GASB 45 standards require that the post-retirement health care for employees must be disclosed as part of the City's financial statements. Although this calculation has not been completed by the City's actuarial consultants, it will be a very large liability for the City because of the following factors:

- For police employees retiring after 01/01/97, the City is required to pay 100% reimbursement for health care for retired employees and their dependents.
- For fire employees who are age 50 and have 20 years of service and retire after 01/01/89, the City is required to pay 100% reimbursement for health care for retired employees and their dependents.

- For officers and non-uniform employees retiring after 01/01/97, the City is required to pay 100% reimbursement for health care benefits for the retired employees and their dependents.
- For sewage employees, the City pays \$250 per month reimbursement for health care expenses for retired employees and/or their dependents.

Once this liability is calculated and disclosed, the City should develop a plan and determine how to begin to fund the liability from an annual appropriation from its operating budget.

### **Sewage Fund**

#### **Revenue and Expenditures**

The City sold the sewage treatment plant to the redevelopment authority in 2005. The City received approximately \$10 million from the sale of the plant and these funds were transferred to the capital project fund where approximately \$6 million remains for future capital projects. Residual receipts of \$1.5 million were transferred to the general fund in 2005 to offset an operating deficit. About \$285,000 of residual receipts remained in the fund in 2006. These funds were used to help offset the deficit in the general operating fund for 2006.

### **Review of the Fiscal year 2006 Audit**

#### **General Fund and Other Governmental Funds**

The General Fund experienced an excess of expenditures over revenue totaling (\$1,032,208) at the close of the fiscal year. The City transferred \$285,000 from residual sewer receipts but the amount was not sufficient to create a positive fund balance. The Audited Financial Statements, after adjustments and transfers report a deficit fund balance for 2006 in the

general operating fund in the amount of (\$747,208). The deficit fund balance for all governmental funds (excluding the Capital Projects Funds) is (\$1,234,248.). In addition to the negative fund balance in the General Fund, other governmental funds that exhibited negative fund balances at year end 2006 are:

Kernville TIF Fund	(\$ 92,045)
Parking Revenue Fund	(\$ 411,841)
Debt Sinking Fund	(\$ 58,978)
Recreation Fund	(\$ 44,061)
Pension Fund	(\$ 762,076)
Sanitation Fund	(\$ 139,898)
Golf Fund	(\$ 70,453)

### General Fund Revenue

Despite conservative budget estimates and significant discounting, revenue fell short of the budget by \$238,269 for the following reasons:

- Tax revenue received was (\$267,127) under budget.
- Payments in lieu of taxes were under budget by (\$90,000)
- Licenses and permits were under budget by (\$36,623)
- Departmental earnings were under budget by (\$73,148)
- Grants and joint projects exceeded budget by (\$64,789)

### General Fund Expenditures

Expenditures exceeded the budget by (\$522,492). However, upon review, it is apparent that all departments achieved savings within individual categories but because of a budgeting error in the finance department related to reimbursement of employee benefits, the budget was substantially over-expended.

- General government was under budget by \$51,038
- Fire Department was under budget by \$73,118

- Police Department was under budget by \$45,892
- Public Works Department was under budget by \$106,360
- Finance Department exceeded the budget by (\$844,663)

Most significant savings in the departments was achieved by leaving positions vacant and through a leveling off of health insurance costs during 2006.

**Budget Challenges (FY 2006-2009)**

As noted above, the City of Johnstown has experienced both successes and setbacks in its recovery effort over the past three years. Based on an analysis of historical trends, the following projections for fiscal years 2007, 2008, 2009 were prepared. These projections assume that no corrective action in the form of additional revenue or cost containment is implemented.

	Actual	Actual	Actual	Projected	Projected	Projected
<i>Revenues:</i>	2004	2005	2006	2007	2008	2009
RE Taxes-GL	3,450,941	3,440,143	3,404,627	3,438,673	3,473,060	3,507,791
Act 511	1,805,649	2,424,511	2,420,954	2,486,320	2,223,411	2,553,451
PILOT	250,000	175,000	160,000	160,000	175,000	190,000
Lic & Permits	534,862	479,340	514,893	525,191	535,695	546,409
Fines & Forfeit	129,983	167,962	180,993	178,146	181,709	185,343
Grants	1,046,962	759,731	514,874	600,000	625,000	650,000
Departmental	1,053,531	1,093,790	1,096,880	1,118,818	1,149,026	1,180,049
Interest/Inv	61,045	75,803	103,641	105,196	106,774	108,375
Interfund	795,363	786,397	969,336	915,000	725,000	745,000
Other	209,574	31,982	214,652	235,000	225,000	237,000
<b>TOTAL</b>	<b>9,337,910</b>	<b>9,434,659</b>	<b>9,580,850</b>	<b>9,762,343</b>	<b>9,419,674</b>	<b>9,903,417</b>
<i>Expenditures:</i>						
General Govt	167,852	234,525	181,719	188,079	191,841	195,678
Finance	3,117,782	925,042	1,168,419	1,209,314	1,233,500	1,258,170
Fire	1,986,353	2,881,349	2,819,921	2,918,618	3,020,770	3,126,497
Police	2,696,657	3,673,521	3,690,983	3,727,893	3,783,811	3,840,568
Comm Dev	210,611	269,117	229,762	203,754	205,215	206,113
Public Works	1,728,362	2,576,105	2,522,254	2,484,420	2,534,109	2,584,791
<b>TOTAL</b>	<b>9,907,617</b>	<b>10,559,659</b>	<b>10,613,058</b>	<b>10,732,078</b>	<b>10,969,245</b>	<b>11,211,816</b>
<i>Excess Revenue Over/(Under) Expenditures</i>	<b>(569,707)</b>	<b>(1,125,000)</b>	<b>(1,032,208)</b>	<b>(969,735)</b>	<b>(1,549,572)</b>	<b>(1,308,399)</b>

**Table 17. General Operating Core Revenues and Core Expenditures  
Three-Year Actual and Three-Year Projected Revenues, Expenditures, and Fund Balances**

It is projected that without a significant new source of revenue or increases to the current tax rates and/or without a significant cost containment effort that includes lower levels of staffing, the three years of substantial deficits will continue over the next three years. The detailed history

and projections from Table 17 are summarized below in Table 18 with projected operating deficits.

<i>Year</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Deficit</i>	<i>Review</i>
<b>2004</b>	<b>9,337,910</b>	<b>9,907,617</b>	<b>(569,707)</b>	<b>Audited</b>
<b>2005</b>	<b>9,434,659</b>	<b>10,559,659</b>	<b>(1,125,000)</b>	<b>Audited</b>
<b>2006</b>	<b>9,580,850</b>	<b>10,613,058</b>	<b>(1,032,208)</b>	<b>Audited</b>
<b>2007</b>	<b>9,762,343</b>	<b>10,732,078</b>	<b>(969,735)</b>	<b>Projected</b>
<b>2008</b>	<b>9,419,674</b>	<b>10,969,245</b>	<b>(1,549,572)</b>	<b>Projected</b>
<b>2009</b>	<b>9,903,417</b>	<b>11,211,816</b>	<b>(1,308,399)</b>	<b>Projected</b>

**Table 18. History and Projections of General Operating Revenues and Expenditures**

Of paramount concern will be structuring cost containment strategies for addressing the escalating costs related to personnel, the rising costs of insurance (especially health care coverage), the rising costs of pension and post-retirement health care liability. In order to address the further erosion of tax base, the creation of new jobs and businesses will continue to top the City's agenda. While the City Council should strive to maintain tax rates at reasonable levels, the absence of growth and updated property assessments will continue to reduce the value of a mill, resulting in revenue decreases that the City cannot afford.

**Summary**

The City's general fund expenses, increasing at approximately 4.8% annually, are far outpacing the City's general fund revenues, which are increasing at approximately 2.7% annually. For this reason, the City's fund balance has decreased from a high in 2001 of over \$752,000 to a negative fund balance of (\$1,032,208) at fiscal year end December 31, 2006 and projected to be at least a deficit of (\$969,735) at year end 2007.

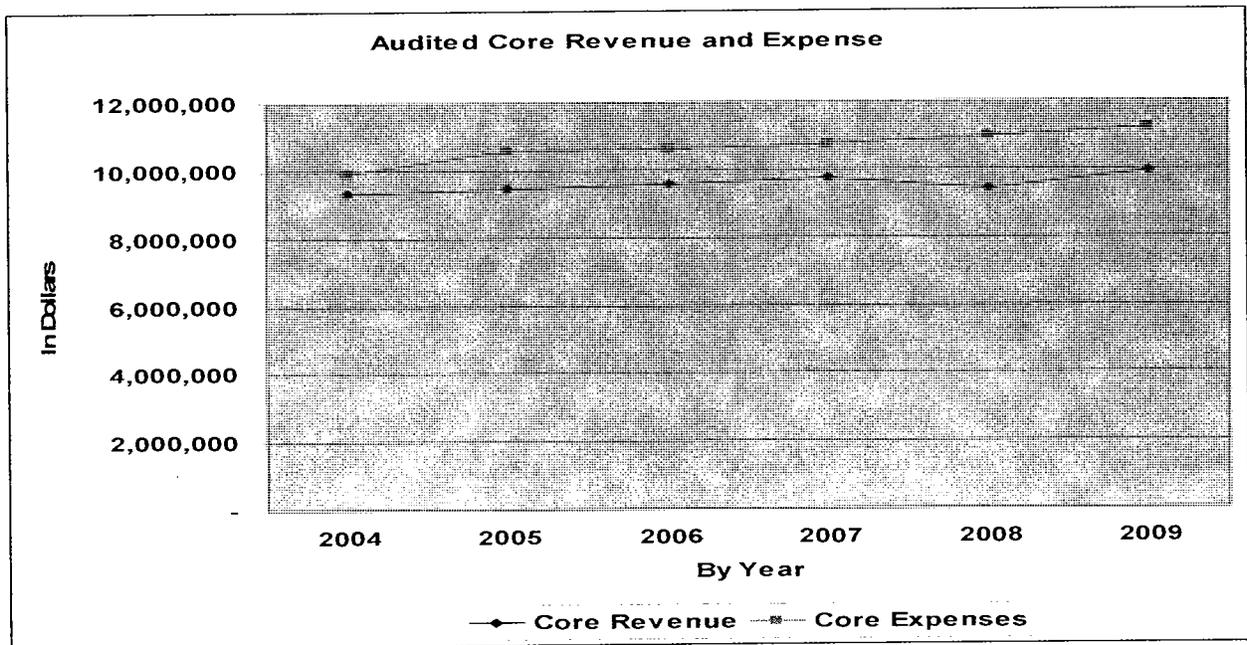


Figure 4. Core Revenue and Expenditures – Audited 2004-2006 and Projected 2007-2009

The City has been able to meet its current obligations over the past three years through a variety of one-time strategies that have generated large infusions of non-recurring cash. In fact in 2004, the City transferred \$813,574 from other funds in order to meet obligations, \$500,000 of which was from the sale of the sewage treatment plant. In 2005, the City transferred \$1,503,868 in residual sewer receipts to bring the general operating fund balance to a positive position. These strategies also included the refund of a bond issue, the sale of assets, and the aggressive collection of delinquent tax revenue. Despite these strategies, the City experienced a major decrease in its fund balance from 2001 through 2006 partly because of the decision to fund over \$1,000,000 for the Renaissance project through its general fund assets and to take on \$1,320,348 in additional debt for this project through a Washington County Note, but also because of escalating personnel costs that include staggering health care and pension expense.

The proposed 2008 budget, even with cost containment and the reduction of several positions within the City organization, exhibits an approximate \$877,000 operating deficit due to the following factors: flat revenue from real estate taxes, a decrease in Local Services Tax due to the fourth quarter “drift” into 2009; elimination of historical transfers that do not result in available cash; adjustments to revenue categories that have been over-budgeted in the past. For this reason the Recovery Plan includes the re-introduction of a special levy under Act 47 for non-resident Earned Income Tax and an increase to the resident rate for Earned Income Tax during the term of this Amended Recovery Plan. This recommended initiative for the City is addressed further in Chapter V of this Plan.

With escalating personnel and benefit costs, substantial liabilities for workers compensation, pension, and post-retirement health care benefits, and long-term debt related to economic development projects, the City is in a very precarious financial position going forward. Unless there are major improvements to the City’s tax base or major cuts in personnel costs, the City will be hard pressed to meet its current operating expenses over the next several years. The City intends to control its work force costs through attrition in some departments but minimum manning clauses in the public safety contracts continue to make it difficult to make adjustments to many of these areas. The expectation is that benefit costs will continue to rise by 8% to 15% over the next three years and that the City will continue to carry substantial liabilities as noted above.

The City is beginning to experience some healthy signs in the area of business taxes, LST revenue, and for deed transfer income. Unfortunately, the declining real estate assessments, the increases to non-taxable assessed value, and the stagnant collection of earned income tax counteract many of the positive trends in other revenue. As a result, the City is years away from

any significant revenue enhancement that will have an impact on its ability to support the City workforce at its current levels.

Table 19 below is a complete summary of all City of Johnstown governmental funds. The City's historical trends of ongoing governmental fund deficits demonstrates just how difficult it will be to bring the City finances into a positive fund balance position over the next several years.

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>
	2003	2004	2005	2006	2007
RE Taxes-GL	\$ 8,125,943	\$ 7,540,975	\$ 7,652,994	\$ 7,808,060	\$ 7,742,258
PILOT	\$ 250,000	\$ 250,000	\$ 175,000	\$ 160,000	\$ 160,000
Licenses & Permits	\$ 545,415	\$ 534,862	\$ 479,340	\$ 514,893	\$ 506,170
Fines & Forfeit	\$ 126,789	\$ 129,983	\$ 167,962	\$ 180,993	\$ 146,072
Intergovernmental	\$ 774,786	\$ 795,363	\$ 786,397	\$ 969,336	\$ 1,190,023
Charges for Services	\$ 2,720,032	\$ 2,677,401	\$ 2,760,870	\$ 2,714,734	\$ 2,524,283
Departmental	\$ 796,374	\$ 1,053,531	\$ 1,093,790	\$ 1,096,880	\$ 1,997,279
Interest/Inv	\$ 146,710	\$ 129,983	\$ 341,731	\$ 348,786	\$ 437,300
Grants & Joint Projects	\$ 18,438,401	\$ 7,061,154	\$ 8,571,310	\$ 9,427,080	\$ 2,733,562
Other	\$ 202,079	\$ 288,184	\$ 541,910	\$ 232,075	\$ 10,000
<b>TOTAL</b>	<b>\$ 32,126,529</b>	<b>\$20,461,436</b>	<b>\$22,571,304</b>	<b>\$ 23,452,837</b>	<b>\$ 17,446,947</b>
General Government	\$ 4,484,456	\$ 5,134,467	\$ 3,087,393	\$ 3,413,407	\$ 1,409,237
Public Safety	\$ 4,294,880	\$ 4,683,010	\$ 6,554,870	\$ 6,510,904	\$ 6,647,305
Community Development	\$ 6,350,259	\$ 3,917,469	\$ 4,809,630	\$ 4,727,596	\$ 5,561,756
Parking	\$ 1,122,409	\$ 676,153	\$ 790,847	\$ 1,176,711	\$ 111,500
Public Works	\$ 2,005,538	\$ 2,135,028	\$ 2,987,392	\$ 2,965,067	\$ 2,534,152
Human Services	\$ 424,636	\$ 396,289	\$ 940,144	\$ 827,877	\$ 883,568
Culture & Recreation	\$ 1,004,633	\$ 970,011	\$ 738,479	\$ 613,084	\$ 885,023
Capital Expenditures	\$ 13,220,463	\$ 2,916,752	\$ 3,959,495	\$ 8,730,544	\$ 1,123,943
Debt Service	\$ 67,420	\$ 38,675	\$ 97,564	\$ 1,163,065	\$ 1,066,452
Sanitation Expenses	\$ 1,219,064	\$ 1,221,032	\$ 1,427,044	\$ 1,390,941	\$ 1,361,818
<b>TOTAL</b>	<b>\$ 34,193,758</b>	<b>\$22,088,886</b>	<b>\$25,392,858</b>	<b>\$ 31,519,196</b>	<b>\$ 21,584,754</b>
<b>Excess Revenue</b>	<b>\$ (2,067,229)</b>	<b>\$(1,627,450)</b>	<b>\$(2,821,554)</b>	<b>\$ (8,066,359)</b>	<b>\$ (4,137,807)</b>
<b>Over/(Under) Expenditures</b>					

**Table 15. Four-Year History All Governmental Funds with 2007 Budgeted Amounts  
City of Johnstown Audited Financial Statements and Adopted 2007 Budget**

## CHAPTER IV

### Work Force

The Act 47 Coordinator has analyzed the provisions and key costs associated with each City collective bargaining agreement now in effect. Given the City's financial situation, these costs and their rate of future growth must be contained. In addition, the Coordinator has analyzed the various programs and costs for non-represented employees. Costs for both employee groups must be reduced if the City is to become fiscally sound. In consideration of the City's fiscal distress, this Recovery Plan mandates the following initiatives which shall become binding upon the date of adoption of the Recovery Plan.

#### **I. All Employees: Non-Union and All Unions**

The Coordinator's initiatives for all City employees (union and nonunion) are as follows.<sup>1</sup> Wherever reference is made to parameters for bargaining units and collective bargaining agreements in the following initiatives (e.g., limitations on new benefits, healthcare cost containment), such provision shall also apply fully to non-represented personnel. It may also be noted that some initiatives in this section may not apply to all bargaining units, and that changes for certain groups may not be implemented until the end of current collective bargaining agreements.

##### **I. Limit New Contract Enhancement**

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new labor agreements between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2008 and subsequent years (or any portion thereof) shall not contain, require or provide for any of the following:

- a. new overtime or premium pay requirements;
- b. any increase in overtime or premium pay requirements;
- c. new benefits;
- d. any improvements in existing benefits;
- e. any new paid or unpaid leave;
- f. any improvements to existing paid or unpaid leaves;
- g. any additional pay for time not worked;
- h. any improvements in existing pay for time not worked;

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<sup>1</sup> In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the recommendation is currently constrained.

- i. any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same;
- j. any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
- k. any improvements in existing benefits for retirees or other inactive employees;
- l. any other term or provision which adds any new or additional restrictions on the City's Management Rights.<sup>2</sup>

2. Redesign Healthcare Plans with Employee Contributions

The skyrocketing cost<sup>3</sup> of employee health care is a major point of pressure for budgets across the state and the nation, in both the private and public sectors. According to national surveys, growth in health insurance costs outpaced the rate of inflation and the growth in workers' wages. Premiums for family coverage have increased by 87% since the year 2000 compared with cumulative inflation of 18% and cumulative wage growth of 20%. In 2005, premiums rose by 9.2% after an 11.2% increase in 2004. Between spring of 2005 and spring of 2006, premiums rose by 7.7%, a slower rate than the two prior years, but still higher than inflation and average wage growth. Average annual premiums for employer-sponsored coverage are \$4,242 for single coverage and \$11,480 for family coverage.

Despite these cost pressures, relatively few employers offering health benefits report that they plan to drop coverage or limit eligibility in the next year. Instead, the national trend has been to increase the level of employee premium contributions, increase plan deductibles, increase copayments or coinsurance for office visits, or increase worker payments for prescription drugs.

Over 75% of covered workers with single coverage and over 90% of covered workers with family coverage make a contribution toward the total premium for their coverage. Workers on average contribute \$627 annually toward the cost of single coverage and \$2,973 annually toward the cost of family coverage. Covered workers of smaller employers (3-199 workers) on average make a significantly higher annual contribution towards single and family coverage than covered workers of larger employers. In addition to their premium contributions, most covered workers make additional payments when they use health care services. For example, many employer plans include a general plan deductible which must be met before covered services are

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<sup>2</sup> The term "Management Rights," as used herein, includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.

<sup>3</sup> The information regarding national trends and averages contained below is taken from the Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2006 Annual Survey*.

paid by the plan. The average annual deductible for single coverage is \$473 for workers enrolled in Preferred Provider Organizations (PPO's), which is the type of arrangement currently in effect under the City health plan. Average deductibles for covered workers with single coverage in small employers (3-199) are substantially higher than average deductibles in large employers (200 or more workers). However, these deductibles may not apply to all covered services. In addition to deductibles, many plans include co-insurance whereby the amount covered by the plan after the deductible is paid at less than 100%.

In addition, the vast majority of covered workers face copayments when they go to the doctor and for prescription drugs. The majority of covered workers are in plans that have multi-tier cost-sharing for drugs. Since 2000, the percentage of covered workers in a plan with three or more tiers of cost sharing for prescriptions has increased from 27% to 74%: (1) generic, (2) preferred and (3) non-preferred, with a higher copayment required for each tier.

#### The City's Health Plan as of January 1, 2007

The City currently maintains its medical PPO arrangement under a contract with Highmark Blue Cross/Blue Shield. In stark contrast to the national averages, the City's health care plans for represented employees are 100% paid by the City, while nonrepresented employees hired as of January 1, 2004 pay a small portion of the premium, and those hired after such date continue to pay the same small portion of single coverage, but are required to pay 50% of the premium for family, husband/wife or parent/child coverage.

With reference to the benefit package, the current plan contains no deductibles or coinsurance, and contains only modest copayments.

The City also maintains dental and vision coverage which is paid by the City for represented employees, and is included in the cost-sharing arrangement for non-represented employees.

A redesigned healthcare plan and employee contribution structure shall be implemented for all active employees no later than January 1, 2010 such that 2009 average costs per participant (including medical coverage, dental, and vision benefits in the aggregate) are reduced by 5 percent in year one, with future growth in the City's cost held at or below 6 percent in all future years. The revised plan design as of January 1, 2010 will be based on the average costs for those employees not covered by provisions of existing collective bargaining agreements without re-openers that were negotiated prior to the adoption of this Recovery Plan. As these existing collective bargaining agreements expire, all groups shall be moved under a single Citywide benefit program designed within the cost parameters above so as to achieve consistency, minimize administrative overhead, and maximize buying power. Opportunities for broader joint benefits programs shall also be explored. To continue to meet the above guidelines for ongoing cost containment, annual adjustments shall be made to plan design and employee contributions as necessary. City subsidies toward supplemental vision and dental care plans may also be reduced. The City shall not improve the benefit program while the Recovery Plan is in effect, even if market and/or experience factors result in underlying aggregate cost growth below the maximum rates of increase set forth above.

Further minimum guidelines for benefit structure and plan design shall include:

- a. Establishment of an employee contribution toward the most affordable coverage option available to the employee at 15 percent of cost, with employees further paying the full incremental cost of any more expensive options. Alternative contribution structures (e.g., based on a percentage of salary rather than benefit cost) may be substituted with the approval of the Coordinator, so long as equivalent savings are achieved).
- b. Increased office visit and prescription drug copayments, coinsurance, and other cost sharing mechanisms with periodic upward adjustments for inflation and/or changing market conditions.

3. Contain Post-Retirement Healthcare Cost

The following modifications shall be made to post-retirement health benefits:

- a. The City shall no longer provide retiree healthcare to employees (or dependents) hired following the date of adoption of this Recovery Plan (or following the expiration of an existing collective bargaining agreement covering that employee, if subsequent to the Recovery Plan adoption date);
- b. For all employees retiring after the date of adoption of this Plan (or following the expiration of an existing collective bargaining agreement covering that employee, if subsequent to the Recovery Plan adoption date), increases in healthcare premiums after the date of retirement shall be paid by the retiree.
- c. The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider.
- d. The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

4. Limit Health Benefits for Part-Time Personnel

Part-time employees shall not receive City-paid health and welfare benefits. Part-time personnel may be allowed to purchase benefits at the City's cost.

5. Mandatory Post-Incident Drug and Alcohol Testing

At the City's discretion, employees shall be required to undergo drug and alcohol testing following reportable on-the-job accidents or injuries.

6. Limit Extended Healthcare Coverage

Individuals who are laid off will be limited to healthcare coverage as provided by COBRA regulations as of the date of layoff. Individuals who are disabled due to a non-work related illness or injury who are eligible for City healthcare will receive coverage for no more than twelve months from the date of disability.

7. Hiring Freeze

Unless required by an applicable collective bargaining agreement, the City shall not fill any staffing vacancies in any department without an affirmative recommendation of the City Manager and approval by the Act 47 Coordinator.

**II. Union Employees: Bargaining Unit Specific Issues**

**1. Fire Fighters Contract**

The City's Fire Fighters, including Fire Fighters, Captain, and Assistant Chief, comprise a bargaining unit represented by International Association of Fire Fighters, Local 463. The current labor agreement, which expired on December 31, 2006, as modified by the Act 111 interest arbitration award dated December 11, 2007, memorializes the terms and conditions of the Fire Fighters' employment and the rights and duties of the bargaining unit employees, the International Association of Fire Fighters, Local 463, and the City. In addition to the mandatory initiatives set forth for all employees in Section I: "All Employees: Non-union and All Unions" above, the Coordinator mandates the following specific initiatives for the Fire Fighters, which will become binding upon the date of adoption of this Fourth Amended Recovery Plan:

a. Retiree Healthcare

Employees hired on or before January 1, 2011 shall retain retiree healthcare but for such employees only and not for their dependents.

b. Minimum Manning

Article IX, Section 10 of the current labor agreement shall be replaced with the following:

The City shall have the right to determine the number and location of fire stations and companies, which includes the right to eliminate stations and companies, in its discretion. There shall be no minimum staffing levels per station or shift, or on an aggregate basis.

c. Reductions in Work Force

Article XV of the current collective bargaining agreement shall be replaced with the following:

Whenever the City determines in its sole discretion to reduce the work force, the factors to be considered in determining which employees are to be affected by the reduction in force within the affected job classification(s) are seniority and qualifications (demonstrated job skills and prior work record). When it is determined by the City that the qualifications of the employees are substantially equal, then the employee with the least seniority will be affected.

When the City determines, in its sole discretion, to increase the work force, bargaining unit employees who have been affected by a previous reduction in force and whose seniority has not terminated will be eligible for recall based upon a consideration of their seniority and qualifications (demonstrated job skills and prior work record). When it is determined by the City that the qualifications of the employees eligible for recall are substantially equal, the employee with the most seniority will be recalled, provided the employee is able to perform the work involved.

d. Seniority

The following shall be added to Article IX:

Seniority of an employee affected by a reduction in force will terminate if the employee is not recalled to work by the City for a continuous period of one year following the reduction in force.

e. Sick Days

The number of sick days per year shall be 12.

f. The labor agreement between the City and the IAFF (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 or otherwise) covering calendar years 2010 and thereafter shall not result in a Total Average Cost Per Hour Worked in any such year (when calculated using the same methodology and formula used in the applicable provisions of the Recovery Plan dated July, 1994 as modified by Exhibit A to this Chapter IV) that is greater than the Total Average Cost Per Hour Worked for the preceding year plus the lesser of 3 % or the percentage increase in the cost of living (CPI-W National) for the most recent twelve month period measured from August 1 to July 30 of the year preceding the effective date of any such increase. In the event CPI-W National data is not available, the CPI-U National figures shall be used for purposes of this section. In the event CPI-U National data is not available, the parties shall mutually agree on an alternative index.

g. General Alarm Fires

In the event of a general alarm fire, the City will not call upon volunteers until all on-duty, active members of the Fire Department have been given an opportunity to respond.

2. FOP Contract

The City's police officers, including Patrol Officer, Sergeant, Lieutenant, Captain, Police Planner and uniformed members of the Bureau of Criminal Investigation, comprise a bargaining unit represented by Flood City Lodge No. 86, Fraternal Order of Police. The current labor agreement, as modified by the Act 111 interest arbitration award dated October 11, 2007, memorializes the terms and conditions of the police officers' employment and the rights and duties of the bargaining unit employees, the Flood City Lodge No. 86, Fraternal Order of Police, and the City. In addition to the mandatory initiatives set forth for all employees in Section I: "All Employees: Non-union and All Unions" above, the Coordinator mandates the following specific initiatives for the police officers, which will become binding upon the date of adoption of this Fourth Amended Recovery Plan:

a. Retiree Healthcare

Employees hired on or before October 11, 2007, the date of the Act 111 arbitration award, shall retain retiree healthcare but for such employees only and not for their dependents.

b. Layoffs

The City shall have the right to determine the size of the work force in its sole discretion and to reduce the size of the work force. The exercise of this right applies to all employees, regardless of their date of hire.

c. Sick Days

The number of sick days per year shall be 12.

d. The labor agreement between the City and the FOP (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 or otherwise) covering calendar years 2010 and thereafter shall not result in a Total Average Cost Per Hour Worked in any such year (when calculated using the same methodology and formula used in the applicable provisions of the Recovery Plan dated July, 1994 as modified by Exhibit A to this Chapter IV) that is greater than the Total Average Cost Per Hour Worked for the preceding year plus the lesser of 3 % or the percentage increase in the cost of living (CPI-W National) for the most recent twelve month period measured from August 1 to July 30 of the

year preceding the effective date of any such increase. In the event CPI-W National data is not available, the CPI-U National figures shall be used for purposes of this section. In the event CPI-U National data is not available, the parties shall mutually agree on an alternative index.

### **3. AFSCME Contract**

The City's bargaining unit employees, other than those belonging to other units, civil service employees in the City's Police and Fire Departments and supervisory personnel and personal secretaries, comprise a bargaining unit represented by The American Federation of State, County and Municipal Employees, AFL-CIO, Local No. 630. The City and AFSCME have negotiated an agreement which expires December 31, 2009. It memorializes the terms and conditions of the members' employment and the rights and duties of the bargaining unit employees, The American Federation of State, County and Municipal Employees, AFL-CIO, Local No. 630, and the City. In addition to the mandatory initiatives set forth for all employees in Section I: "All Employees: Non-union and All Unions" above, the Coordinator mandates the following specific initiatives for the AFSCME employees, which will become binding upon the date of adoption of this Fourth Amended Recovery Plan:

#### **a. Posting of Vacancies**

Article VIII, Section 1 of the current labor agreement shall be replaced with the following:

It shall be in the City's sole discretion to determine whether a job vacancy exists, whether to fill a vacancy, and whether to post any vacancy for any position. When the City determines that a vacancy exists which is to be filled, and that the vacancy is to be posted, all departments within the bargaining unit shall be notified of such vacancy. The City will post a notice of such vacancy for a period of ten (10) working days. The notice shall state which job(s) are open, how many openings exist, what minimum qualifications are required, and the time for filing of the application. Employees who wish to apply for the vacancy shall file, in writing, their applications within the prescribed time limit. The City shall notify all applicants of their selection pertaining to the posted position(s) within twenty-one (21) calendar days.

#### **b. Health Insurance on Illness/Disability**

An employee on illness or disability shall be entitled to health insurance coverage for a period not to exceed twelve (12) weeks as mandated by the Family and Medical Leave Act.

#### **c. Health Insurance on Layoff**

An employee who is laid off shall be entitled to healthcare coverage as provided by COBRA regulations as of the date of layoff.

d. Retiree Healthcare

Employees hired on or before January 1, 2010 shall retain retiree healthcare but for such employees only and not their dependents. Retiree healthcare provided by the City shall cease when the employee becomes Medicare-eligible. If the employee has the opportunity for similar health insurance coverage through the employee's spouse, then the obligation of the City to provide retiree health insurance shall cease for the period of time that this opportunity for similar coverage exists.

e. Sick Days

The number of sick days per year shall be 12.

- f. The labor agreement between the City and the AFSCME (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 or otherwise) covering calendar years 2010 and thereafter shall not result in a Total Average Cost Per Hour Worked in any such year (when calculated using the same methodology and formula used in the applicable provisions of the Recovery Plan dated July, 1994 as modified by Exhibit A to this Chapter IV) that is greater than the Total Average Cost Per Hour Worked for the preceding year plus the lesser of 3 % or the percentage increase in the cost of living (CPI-W National) for the most recent twelve month period measured from August 1 to July 30 of the year preceding the effective date of any such increase. In the event CPI-W National data is not available, the CPI-U National figures shall be used for purposes of this section. In the event CPI-U National data is not available, the parties shall mutually agree on an alternative index.

4. Steelworkers Contract

The City's Bureau of Sewage bargaining unit employees are represented by United Steelworkers of America, AFL-CIO-CLC, Local Union 2635-17. The current labor agreement provides that the agreement is in effect until December 31, 2006 and thereafter from year to year unless either party to the agreement notifies the other of its desire to change or modify terms of the agreement not less than six months prior to the expiration of the agreement. The current labor agreement memorializes the terms and conditions of the members' employment and the rights, duties and obligations of the bargaining unit employees, the United Steelworkers of America, AFL-CIO-CLC, Local Union 2635-17, and the City. In addition to the mandatory initiatives set forth for all employees in Section I: "All Employees: Non-union and All Unions" above, the Coordinator mandates the following specific initiatives for the Bureau of Sewage employees, which will become binding upon the date of adoption of this Fourth Amended Recovery Plan:

a. Posting of Vacancies

Article XV, Section 5 of the current labor agreement should be replaced with the following:

It shall be in the City's sole discretion to determine whether a job vacancy exists, whether to fill a vacancy, and whether to post any vacancy for any position. When the City determines that a vacancy exists which is to be filled, and that the vacancy is to be posted, the City will post a notice on the bulletin boards giving all employees an opportunity of making application for the job by signing the Job Posting Notice. Said notice shall be posted for a period of three (3) days, exclusive of Saturdays, Sundays, or holidays. The Job Posting Notice will show the classification and rate of the job vacancy. All posted vacancies shall be filled by the senior qualified bidder within three (3) days of the close of the job posting period. During the bidding period, the City may make a temporary assignment to fill the posted vacancy.

An employee bidding into a higher classification shall be given sixty (60) days to satisfactorily perform the job. If such employee fails to satisfactorily perform the job within said period, he shall be returned to his former position without loss of seniority. Adequate training shall be provided by the City on all job bids.

b. Sick Days

The number of sick days per year shall be 12.

c. The labor agreement between the City and the Steelworkers (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 or otherwise) covering calendar years 2010 and thereafter shall not result in a Total Average Cost Per Hour Worked in any such year (when calculated using the same methodology and formula used in the applicable provisions of the Recovery Plan dated July, 1994 as modified by Exhibit A to this Chapter IV) that is greater than the Total Average Cost Per Hour Worked for the preceding year plus the lesser of 3 % or the percentage increase in the cost of living (CPI-W National) for the most recent twelve month period measured from August 1 to July 30 of the year preceding the effective date of any such increase. In the event CPI-W National data is not available, the CPI-U National figures shall be used for purposes of this section. In the event CPI-U National data is not available, the parties shall mutually agree on an alternative index.

Pension Funds

Severe cost pressures have caused the City's pension costs to grow at a rapid pace, with unfunded actuarial accrued liability increasing from approximately \$8.5 million in FY2000 to approximately \$19.7 million in FY2007.<sup>4</sup> Investment performance during this period was weak

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<sup>4</sup> Mockenhaupt Actuarial Valuation Reports as of January 1, 2007.

in spite of improving market conditions in the later years. Correspondingly, Johnstown's Minimum Municipal Obligation (MMO) for the City's pension plan contributions pursuant to Act 205 increased from \$1.4 million in 2000 to approximately \$1.9 million in 2007.<sup>5</sup>

Pension cost growth is anticipated beyond FY2007. Going forward, it is projected that pension costs will remain at a high and steadily increasing level. With these projections, unfunded actuarial accrued liabilities that more than doubled from FY2000 to FY 2007 will increase further in the coming years. Even with the recent dramatic contribution increases by the City, however, the extremely weak funding status of the City pension funds threatens the ongoing stability of retiree benefits as well as the City's finances. Strong monitoring and action will be critical to improving pension fund health.

There are a variety of indicators of the stress facing Johnstown's pension funds:

- Actuarial reports prepared by Mockenhaupt Associates, indicate that the combined ratio of assets to the Actuarial Accrued Liability is just 52 percent as of January 1, 2007. A ratio of 52 percent is very low: for example, the major credit rating agency FitchRatings has cited a funding ratio below 60 percent as among a set of practices that raise analysts' concerns about an issuer's fiscal future.<sup>6</sup>
- Equities experienced a significant rebound during the past few years. However, the combined pension funds have experienced a relatively low rate of return. Looking forward, market returns for the future are uncertain. Compounding these factors, benefit enhancements are beginning to impact employer contribution rates. Consequently, further overall increases in pension contributions are projected over the next several years.
- Looking at a further indicator of longer-term pressures on the City's pension plans, it may be noted that as of January 1, 2007, the City had 57 more inactive participants receiving pension benefits (243) than active employees contributing into the retirement system (186).

The growth of the City's unfunded actuarial accrued liability is described in the following chart:

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<sup>5</sup> Mockenhaupt Actuarial Valuation Reports as of January 1, 2007.

<sup>6</sup> Fitch Ratings, November 21, 2002.

**Unfunded Actuarial Accrued Liability  
City of Johnstown Police, Fire, Sewage, and Municipal Pension Funds  
1999-2006<sup>7</sup>**

Year	Total All Funds (\$000)
2000	\$ 8,518,766.00
2001	\$ 9,942,360.00
2002	\$13,513,872.00
2003	\$15,818,174.00
2004	\$16,086,342.00
2005	\$19,126,031.00
2006	\$19,660,571.00

The City's overall pension payment is offset each year by a contribution from the Commonwealth. However, the amount of the Commonwealth payment is calculated based on the number of active employees, with uniformed employees double-weighted. The amount of the payment also turns on the amount the State has available to distribute and the number of municipalities applying for aid. With the marked downturn in recent years, more localities have applied, increasing competition for the limited funds. For these reasons, this Recovery Plan assumes that the annual state aid will decline by two percent per year in the coming years.

This Recovery Plan's cautious assumptions about pension costs reflect the negative experience of the past several years, while seeking to protect the City's finances so that it can restore fiscal balance.

## **Initiatives**

### **Investment**

The City has retained Morrison Fiduciary Advisors to review its pension investment strategy and plan administration and to make recommendations to improve the overall funded status and administration of the pension plans. Working with Morrison Fiduciary Advisors, Council, the City Manager, the Finance Director and the Pension Board have accomplished the following:

- Reviewed the current actuarial valuation reports and, in cooperation with the City's Plan actuary, assessed the actuarial and investment return assumptions to assure they were prudent and properly reflect the City's unique circumstances;

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<sup>7</sup> Taken from 2005 Consolidated Financial Statements and Mockenhaupt Actuarial Valuation Report as of January 1, 2007.

- Reviewed the Investment Policy Statement and revised as necessary to assure sound fiduciary practices;
- Evaluated the current strategic asset allocation to assure compliance with the Investment Policy Statement and sound fiduciary practices;
- Reviewed and evaluated the investment performance of the Plan investment managers and brokers executing investment transactions relative to market and peer group benchmarks;
- Evaluated the costs of current investment management services, including commissions, fees, and other cost components and negotiated fee schedules that achieve cost savings to ensure that Plan expenses are cost effective;
- Retained new investment managers, including the negotiation of a less expensive commission and fee structure, with the goal of substantially improving Plan investment performance and lowering costs;
- To the extent not already completed, combined the investment assets of all City pension funds into one comprehensive investment account to allow for investment economies of scale while assuring that proper account balances are maintained separately for each fund. This combination will require that subsidiary valuation recordkeeping be performed for each of the four funds so that their respective account balances are maintained on an ongoing basis.

With these efforts completed and in cooperation with Morrison Fiduciary Advisors, Council, the City Manager, the Finance Director and the Pension Board shall:

- Provide ongoing oversight of the City pension funds and guide the investment process in a comprehensive manner;
- Review, revise and have adopted by Council the City's Plan documents to assure consistency with the City's pension ordinances, as revised pursuant to this Amended Act 47 Plan, and applicable law.

### **Initiatives for Plan Benefits**

- The City shall retain a law firm with experience in governmental plan drafting to prepare comprehensive plan documents setting forth the applicable benefits and all requirements of state and federal law.
- The City shall pass a resolution to “pick up” employee contributions under the pension plans so that employee contributions will be made on a pre-tax basis.

- The City shall make modifications to the existing benefit structures of the pension plans to achieve cost savings on a prospective basis, as described below.

Along with the recommendations outlined above, the following initiative(s) impacting Pension issues are detailed in other sections of this Recovery Plan:

- Moratorium on further improvements to pension benefits, as well as various labor-management changes to reduce growth in the base payroll would be expected to have a favorable effect on actuarial calculations [See Workforce above.]
- Multiple labor-management changes [See Workforce above].

## SPECIFIC INITIATIVES FOR THE JOHNSTOWN PENSION PLANS

### **I-A. Initiatives for the Johnstown Police Pension Fund**

The following actions shall be taken to reduce the costs associated with maintaining the Johnstown Police Pension Fund. These changes shall be incorporated into the next succeeding collective bargaining agreement (“CBA”) between Johnstown and the Flood City Lodge No. 86 Fraternal Order of Police.

- Revise the definition of eligible compensation in the plan applicable to all officers to include only the “fixed amount of compensation paid at regular, periodic intervals, in accordance with the definition contained in the Third Class City Code.”
- If an actuarial study to be undertaken by Mockenhaupt Associates determines that any cost savings can be achieved by increasing the retirement age for all officers to either age 55 or age 60 (taking into account regular wage that would be paid during such period of continued employment), then such increase in retirement age shall be mandatory.
- Reduce the \$500 service increment cap to the level in effect under City ordinances prior to 2004.
- Reinstigate retirement age requirements for eligibility to receive benefits for participants in the plan applicable to officers hired before January 1, 1989.
- With the assistance of Mockenhaupt Associates, establish a revised plan for newly hired employees on or after the expiration of the existing CBA to the extent permitted under Act 205. The new plan shall have a normal cost which is at least 20% lower than the plan applicable to employees hired on or after January 1, 1988.

## **I-B. Initiatives for the Johnstown Firemen's Pension Fund**

The following actions shall be taken to reduce the costs associated with maintaining the Johnstown Firemen's Pension Fund. These changes shall be incorporated into the next succeeding collective bargaining agreement ("CBA") between Johnstown and the International Association of Fire Fighters Local Union No. 463.

- If the Plan's actuary, Mockenhaupt Associates, determines that the participant contributions for employees hired on or after January 1, 1988 may be increased under the Distressed Level III provisions of Act 205, then an increase in such contributions shall be mandatory to the maximum level permitted under such provisions.
- Revise the definition of eligible compensation in the plan applicable to all firefighters to include only the "fixed amount of compensation paid at regular, periodic intervals" in accordance with the provisions of the Third Class City Code.
- If an actuarial study to be undertaken by Mockenhaupt Associates determines that any cost savings can be achieved by increasing the retirement age beyond age 50, then such increase in retirement age shall be mandatory.
- Reduce the \$500 service increment cap to the level in effect under City ordinances prior to 2004.
- Re-institute retirement age requirements for eligibility to receive benefits.
- With the assistance of Mockenhaupt Associates, establish a revised plan for newly hired employees on or after the expiration of the existing CBA to the extent permissible under Act 205. The new plan shall have a normal cost which is at least 20% lower than the plan in existence for employees hired on or after January 1, 1988.

## **I-C. Initiatives for the Johnstown Officers and Employees Retirement Plan**

The following actions shall be taken to reduce the costs associated with maintaining the Johnstown Officers and Employees Retirement Plan. These changes shall be incorporated into the next succeeding collective bargaining agreement ("CBA") between Johnstown and the American Federation of State and Municipal Employees, AFL-CIO, CLC, Local No. 630.

- If the Plan's actuary, Mockenhaupt Associates, determines that the participant contributions for represented employees hired on or after January 1, 1988 may be increased under the Distressed Level III provisions of Act 205, then an increase in such contributions shall be mandatory to the maximum level permitted under such provisions.

- Reduce the service increment to the maximum permitted under the Third Class City Code.
- Revise the definition of eligible compensation in the plan applicable to all represented employees to include only the “fixed amount of compensation paid at regular, periodic intervals” in accordance with the Third Class City Code.
- With the assistance of Mockenhaupt Associates, establish a revised plan for newly hired employees on or after January 1, 2008, or at the expiration of the existing CBA for represented employees, to the extent permissible under Act 205. The new plan shall have a normal cost which is at least 20% lower than the plan applicable to employees hired on or after January 1, 1988.

**I-D. Initiatives for the Johnstown Sewage Pension Fund**

The following actions shall be taken to reduce the costs associated with maintaining the Johnstown Sewage Pension Fund. These changes shall be incorporated into the next succeeding collective bargaining agreement (“CBA”) between Johnstown and the United Steel Workers of America AFL-CIO-CLC Local Union 2635-17.

- Revise the definition of eligible compensation in the plan applicable to all officers to include only the “fixed amount of compensation paid at regular, periodic intervals” in accordance with the Third Class City Code.
- Implement 40% Social Security offset to mirror the provisions of the Third Class City Code for all participants covered by Social Security for employees hired after January 1, 1988.

## **Exhibit A**

### **Modification To Average Cost Per Hour Worked Formula**

If a reduction in workforce headcount results in a lower total number of active employees in any future calendar year but the total cost of any certain benefit (for example, health insurance) in the formula does not reflect the reduced headcount, that certain benefit cost will be divided by a denominator that includes the actual number of active and inactive employees receiving that certain benefit in order to calculate the true cost per hour worked for active employees only.

## CHAPTER V

### Initiatives

Based upon the above review of the City's progress under the Third Amended Recovery Plan, and in addition to the Work Force initiatives set forth in Chapter IV, the following initiatives are mandated as part of this Fourth Amended Recovery Plan.

#### Budget and Finance

(1) The City Manager and Director of Finance shall continue to work with the City's auditors and with Centax to improve the annual collection of the City's earned income tax through review and analysis of the Commonwealth's personal income tax database and other applicable City databases. These efforts shall include pursuit of payments for prior years, consistent with applicable law, from residents who have illegally failed to file earned income tax returns or who have underpaid taxes due under filed returns.

(2) The City Manager and Director of Finance shall continue to work with the City's auditors to improve the collection of resident sanitation fees through review and analysis of the City's sewage rolls and other applicable databases.

(3) The City, through Council and the Manager, shall continue discussions with Conemaugh Hospital with the goal of extending beyond December 31, 2006, an agreement by which the hospital continues to pay to the City substantial payments in consideration of services provided by the City.

(4) Council and the Manager shall review all the fees charged for all non-forensic police services, such as special events, security details, background checks and fingerprinting for private businesses, to assure that the City is recouping the actual cost of the service provided.

(5) Council and the Manager shall review the contracts for police services with the Johnstown Housing Authority and other communities to assure that the City is recouping the actual cost of providing the services including wages, benefits, equipment and fuel.

(6) Council, the Manager and the Director of Codes and Permits shall review all fees charged for application and issuance of permits, such as building and zoning permits, to assure that the City recouping the actual cost of such processing of permit applications. That review shall include research as to the fees charged by surrounding municipalities.

(7) Council, the Recreation Director and the Manager shall review the fees charged for all of its recreation programs and permits to assure that the City is recouping the actual cost of such programs and processing of applications.

(8) Council and the Manager shall review all services, such as training, provided by the Fire Department to other fire companies to assure that adequate charges are imposed to recoup the City's total actual cost of providing such services.

(9) Council and the Manager shall implement an active and structured Market Based Revenue Opportunity (MBRO) program to maximize the revenue generating capacity of the City's municipal assets. The program shall consider such initiatives as bus shelter advertising, general outdoor advertising, street furniture, advertising on such facilities as recreation venues (Point Stadium), public benches, public restrooms, newsstands, trash receptacles, information kiosks and bicycle racks; indoor advertising such as restrooms, libraries, parking garages, convention center recreation venues; and other miscellaneous advertising on such items as garage receipts, tax and utility bill inserts, banners on the City's website and vehicle advertising. The program shall also consider City/corporate marketing partnerships and sponsorships.

(10) Council and the Manager or Assistant Manager shall prepare and implement a business and marketing plan for the use of Point Stadium as a multi-use venue for sports, the performing arts and other appropriate uses.

(11) During the first three quarters of 2008, in cooperation with the School District, the Manager, Finance Director and Solicitor shall review all tax exempt properties coming onto the tax exempt rolls on or after January 1, 2005, to determine whether they qualify under applicable law for exemption from real property taxation and to challenge the exemption of those properties which do not so qualify.

(12) Council and the Manager shall prepare a comprehensive, five year capital project plan during the summer of each year in advance of the preparation of the operating budget for the succeeding year.

(13) The City Manager and Director of Finance shall install and initiate use of the personnel module of the City's Pro Soft financial management system. They shall also actively explore the purchase and implementation of the Report Writer, Miscellaneous Accounts Receivable and Real Estate Tax Modules.

(14) The City Manager and Director of Finance shall determine the employee training necessary to initiate use of these new Pro Soft modules and work with Pro Soft to schedule and complete the training.

(15) The City Manager and Director of Finance shall work with the City's auditors to review the City's funds with the goal of eliminating unnecessary funds.

(16) The City Manager and Director of Finance shall work with the City's auditors to review the form and content of the monthly financial reports currently provided to Council, with the goal of improving the level of detail and analysis.

(17) In each of the years 2007, 2008 and 2009, the City, subject to annual reviews described herein, shall petition the Court of Common Pleas of Cambria County, pursuant to Section 141 of the Act, to increase the rate of earned income taxation upon residents and non-residents beyond the 1% maximum imposed by Act 511 as follows:

Year	<u>Resident Rate</u> (not to exceed)	<u>Non-Resident Rate</u> (not to exceed)
2008	1.30%	1.20%
2009	1.30%	1.15%
2010	1.30%	1.10%

At or before the time of preparation of the 2009 and 2010 operating budgets, Council, the Manager and the Recovery Team shall review the state of the City's finances, including anticipated revenues, expenditures and fund balances, in order to determine whether funds can be allocated to the operating budget for each such year sufficient to balance the City's operating budget without recourse to all, or a portion of, the increased rates of earned income tax set forth above. If Council, the Manager and the Recovery Team determine that the City's operating budget can be so balanced, the City shall not petition the court in 2009 or 2010 for any increased rates, or may seek lesser rate increases, as Council, the Manager and Recovery Team shall determine as necessary to balance the City's operating budget in such year.

### Administration and Personnel Management

(18) With funds and consultants made available by the Commonwealth through Act 47, Council and the Manager shall hold a Council/Manager retreat during the winter of 2007/2008 to set the goals and objectives for the Council and Manager and shall thereafter hold such sessions every other year facilitated by the Mayor and Manager.

(19) With funds and consultants made available by the Commonwealth through Act 47, the City shall perform a management audit and staffing study of all departments and operations. The audit report shall include narrative summaries of each department comprised of budget and personnel information as well as other relevant data. This data must be supported by interviews with the City Manager, each department director, bureau manager, and staff in order to facilitate the most comprehensive view of the City's most critical operational needs. The final report shall include a recommendation for structure, command, scheduling and staffing levels (based on "best practices" for local government service delivery) for each City department so that it will be possible for the City management to use a "benchmarking" strategy to address staffing levels and operational deficiencies.

### Operations

(20) The City Manager and Fire Chief shall continue the effort to market the services of the Fire Department to surrounding communities. These efforts shall include discussion of written agreements pursuant to which the City, for a fee, makes available for use as required specialized fire equipment such as ladder trucks.

(21) The City Manager and Fire Chief shall initiate discussions with surrounding communities about the construction and joint use of a fire training facility in the City. If there is interest in pursuing construction of such a facility, the City Manager shall work with the Act 47 Coordinator to obtain applicable federal and state grant funds to support the project.

(22) The City Manager, the Fire Chief and the Police Chief shall initiate discussions with the members of the Cambria-Somerset Council of Governments (COG) to propose the formation of both a Police Advisory Committee and a Fire Advisory Committee for the purpose

of discussing and resolving police, fire and other public safety issues of mutual concern to the members.

(23) The City manager and the Director of Codes and Permits shall actively market the City's code enforcement capabilities to other municipalities, including contact with the member communities of the Cambria-Somerset COG and the possible use of the public cable television channel. If there is interest in the use of these services by other municipalities, the City Manager shall work with the Act 47 Coordinator to obtain applicable state grant funds to support the project.

(24) The City Manager and the Director of Public Works shall continue to market the services of the department to other municipalities, including the continuation of shared use of equipment, such as the sewer flusher and street sweeper, traffic light maintenance and vehicle maintenance. The City Manager shall work with the Act 47 Coordinator to obtain applicable state grant funds to support these joint efforts.

(25) The City Manager and Director of Recreation shall initiate discussion with the School District to pursue use of the School District's gyms for City and inter-municipal basketball and other indoor recreation programs.

#### Community and Economic Development

(26) The City Manager and the City's Department of Community and Economic Development shall continue to work with the Discover Downtown Partnership on its Main Street Program and its efforts to hire a Main Street Manager.

(27) The City Manager and the City's Department of Community and Economic Development, in cooperation with the Act 47 Coordinator, shall continue to pursue with the

Department its Land Use Planning and Technical Assistance Program (LUPTAP) grant to pursue planning and development of the City's Downtown and Kernville areas.

(28) The City, through its Economic Development Department, shall continue to participate actively in the Economic Development Partnership with the Redevelopment Authority and JARI to establish economic development priorities for the City and to coordinate efforts to recruit businesses to the region and City.

**CHAPTER VI  
FOURTH AMENDED RECOVERY PLAN RECOMMENDATIONS  
REQUIRING CONTINUING IMPLEMENTATION**

<b>SERVICES AND OPERATIONS ANALYSIS</b>	
<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>1. Establish a records management system in compliance with State Records Retention Act, including a microfilm system, periodic disposal of unneeded records and efficient retrieval system for City officials and employees.</p>	<p>Although some records have been cleaned up and organized, a complete records management system has not been implemented; state standards have been obtained and reviewed. Grant application submitted to the Pennsylvania Historic and Museum Commission for \$5,000 to start records management system was denied. The City reinitiated dialogue with the Pennsylvania Historic &amp; Museum Commission regarding technical assistance available to the City and filing a grant application for a subsequent funding cycle. An inventory of City records, by Department, has been compiled. The City is currently pursuing funding for this project. The City has implemented an ongoing process of reviewing the records currently stored in its archives and destroying all that are eligible under the Records Retention Act.</p>
<p>2. Develop a procedures manual to clearly outline the City's table of organization and processes by which departments should communicate.</p>	<p>A current City organization chart, consistent with the Home Rule Charter and Administrative Code, is completed.</p>

**SERVICES AND OPERATIONS ANALYSIS**

<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>3. Prepare and utilize written procedures manuals for all operating departments.</p>	<p>The hiring manual is complete, and the Assistant Manager is charged with oversight of application, interview and hiring procedures. Several components of the Purchasing Procedures Manual have been completed and issued with additional components anticipated as implementation of the electronic purchasing system advances. A Police Procedures Manual has been prepared in conjunction with the State Accreditation Program and consistent with that Program's standards. The Cash Management and Investment Policies are complete and were adopted by Council in February, 2005. The City is currently working with a peer consultant to provide an accounting Manual. The Bureaus of Parking and Public Works are currently updating their policy and procedural manuals as well as documenting their ongoing work on Operations and Maintenance plans.</p>
<p>4. Adopt a pay plan which will allow it to attract and maintain quality professionals to serve as City Manager/Business Administrator and as department heads.</p>	<p>City Council, at its goal planning retreat in February, 2005, approved the creation of a Wage and Salary Survey for the entire City workforce, but no action has been taken.</p>
<p>5. Establish a personnel system which includes recruitment procedures, performance evaluation system, disciplinary system, general work rules, grievance procedure for nonunion employees, an efficient centralized records system, the development and utilization of an employee handbook and an ongoing training and development program.</p>	<p>Personnel manual applicable to all employees completed by Manager and adopted by Council, effective 10/1/06; all department directors are evaluated by the Manager. An evaluation system is in place providing for feedback on strengths and weaknesses and development of goals.</p>
<p>6. Combine water, sewer and garbage fees on one bill and lock box for mail payments with employees handling only counter transactions.</p>	<p>The City has sold the Wastewater Treatment Plant to the Johnstown Redevelopment Authority. This sale removes the PUC billing restrictions from the sewer bills. This recommendation is being explored with the Redevelopment Authority. The City will continue to explore use of combined billing and lock boxes for collections. The City currently handles all billing and is reimbursed by the Authority.</p>

**SERVICES AND OPERATIONS ANALYSIS**

<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>7. Meet and discuss with the School District matters of joint concern such as facilities management and usage, tax policy and recreation programming.</p>	<p>County, School District and City jointly purchasing electricity; the City and School District have cooperated in retaining appraisers to defend against property tax appeals. The costs are shared according to millage. Joint recreation program discussions have renewed. Discussions have occurred between the City and the School District regarding joint efforts to seek a planning grant for cooperative recreation/athletic programs. Discussions on finance/tax collection and, more recently, employee health benefits continue. The School District and the County have agreed to jointly pursue a new PILOT Agreement with the hospital and jointly fight reassessment appeals. The City is also working on cooperative recreation for winter use of gyms and School District use of the Point Stadium for baseball.</p>
<p>8. Utilize a labor/management committee to reach agreement with the Firefighters on the establishment of a volunteer force to supplement the paid force.</p>	<p>Chief has raised issue in preliminary discussions with fire fighters; fire study addressed the issue; Westmont officials called off earlier discussions of purchasing City fire services; Westmont officials created and filled a full-time position to act as driver during the daylight hours rather than pursue a joint effort with the City. Westmont volunteers opposed the joint effort. There is no current interest in equipment maintenance; training remains a possibility. Labor and management are in agreement on pursuing a regional delivery of fire protection. Labor and management are continuing discussions and seeking opportunities for regional training. The Department's Training Officer is a marketable commodity and has begun providing services to the business community for a fee. The City continues to attempt to market the services of the Fire Department as a paid alternative. The City offered two contracts in 2005 to neighboring municipalities, but both offers have been declined. The City will continue to market its service to interested municipalities when the request for services fits into the mission and capabilities of the Fire Department.</p>

**SERVICES AND OPERATIONS ANALYSIS**

<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>9. Increase revenues and reduce expenses in order that the Bureau of Parking will make progress toward becoming self-sustaining without interfund transfer of UDAG Funds.</p>	<p>Progress being made; for fiscal year ending 1995, \$45,000 UDAG interfund transfer made; 1996: \$85,217; 1997: \$200,000 (debt payment on parking bonds); UDAG funds budgeted in 1998 but not used; hence, no UDAG money used to support parking operations since 1997. City Council opted not to privatize the City's parking operations. \$30K was added to the 2002 budget for a 12 month Parking Manager position. Because the Parking Manager's results were disappointing, the Parking Bureau is currently being overseen by a management committee comprised of the City Manager, Assistant City Manager and Finance Director. In 2004, the City refinanced the Parking Bureau's debt and realized over \$800,000 in savings that is being used to pay debt service. Parking will continue to be a financially difficult operation as the infrastructure continues to age. Operations and cash flow increased in 2005 by the addition of five (5) parking lots in the Kernville Section of the City. These lots are on Pa DOT right-of-ways and are paid lot parking. The lots service both residential and employee parking. For the first six months of 2006, parking revenues have again increased. Two of the leased lots have paying clients amounting to 60 vehicles.</p>
<p>10. With funds and consultants made available by the Commonwealth through Act 47, Council and the Manager shall continue efforts to accomplish the following: (1) setting goals and objectives for Council and the Manager annually; (2) establishing a system to evaluate on at least an annual basis the performance of the Manager and Council's and the Manager's accomplishment of their respective goals and objectives; (3) developing skills and techniques for Council to confront and resolve differences within Council.</p>	<p>An initial goal session was held with Lyle Sumek in February, 2000. It included the first successful evaluation of the City Manager by Council. A second goal setting session was completed in October, 2002, with consultant Sumek. A thorough discussion of Council's goals and objectives and Manager's priorities was held. The goals that were set at the 2002 sessions were regularly incorporated into the meeting reports of the Mayor and City Manager to allow the goals to remain as priorities. The City chose to host its own goal session in February of 2005. The outcomes of this session were Management Goals and Policy Goals. Chapter V contains an initiative for Council to hold a goals and objectives workshop during the winter of 2007-2008.</p>

**SERVICES AND OPERATIONS ANALYSIS**

<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>11. Council has created and filled the position of Assistant to the Manager. The responsibilities of the Assistant to the Manager shall include risk management, personnel, compliance with self-insured worker compensation requirements and procurement.</p>	<p>Bruce Haselrig was hired as Assistant Manager in July 2006 to assume the responsibilities of parking, risk management and operations at the Point Stadium. Mr. Haselrig is currently developing an operations manual for the Point Stadium that will cover potential revenues and expenses and responsibility for maintenance operations and marketing.</p>
<p>12. The City shall adopt long range capital improvements program that addresses the improvement needs of all City parks and recreation facilities as identified and prioritized by the planning process.</p>	<p>A long range capital plan was part of the adopted comprehensive recreation plan prepared by HRG. Major improvements were made to Roxbury Park, including a new walking-bike trail, roller hockey rink, and resurfaced basketball courts. Significant improvements to Point Stadium have been completed in time for the 2006 AAABA tournament as scheduled. The only items not finished are the locker rooms and the artificial turf, scheduled to be completed early next year. In 2005, the City leased the operation of the Berkley Hills Golf Course to a private operator. This provides the City a yearly lease payment and shifts all operations and capital costs to the lessee. The current lessee has been timely in the payment of monies owed to the City by the terms of his lease.</p>
<p>13. The City shall establish a recreation program cost accounting system that tracks both direct and indirect costs (overhead allocation) for each program. This system must be used to determine appropriate program fees.</p>	<p>The Recreation Director has reviewed all program budgets with the goal of making them as self-sustaining as possible. The City, through the 2005 budget process, outlined the total program cost for its programs and used the detail to establish increased league fees. By taking into consideration all sources of revenue and expenditures, the City proposed a balanced budget for each program. In 2004 and 2005, the City reduced the number of staff assigned to each game, such as score keepers and officials. In 2006, the City did not initiate any recreation program for which little interest was demonstrated.</p>

**BUDGETARY AND FINANCIAL ANALYSIS**

<b>BUDGETARY AND FINANCIAL ANALYSIS</b>	
<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>14. Undertake a review of all tax exempt parcels. After the study is completed, petition the County of Cambria to reclassify parcels which should no longer be tax exempt.</p>	<p>Council has expressed reluctance to challenge most categories of exempt property and the revenue potential appeared limited. An inventory of tax exempt properties was completed and there were few that did not meet the criteria for such status. However, the City must revisit this analysis as to new properties acquiring tax exempt status.</p>
<p>15. The City continues to carry substantial unfunded accrued pension liability in all four of its pension plans. The City, through the Manager and Director of Finance, shall investigate, through a request for proposals, as to whether it is in the City's financial interest to issue bonds to fund its pension liability pursuant to the Local Government Unit Debt Act.</p>	<p>Proposals were submitted to the City in October, 1999, and a decision was reached that bonds were not advantageous at that time. An RFP was issued to determine the advantage to the City, if any, of a bond issue in 2002. Proposals were received and reviewed by the Recovery Team, the Budget &amp; Finance Committee and the City's Auditor. Although the recommendation was not to issue pension bonds in 2002, City Council continued to review the bond issue matter in conjunction with 2003 budget planning and the approval of the Charter Referendum in November. The Recovery Team and the administrative staff reviewed the pension bond option for 2003 and did not recommend that option. As circumstances change, this option will be reviewed regularly.</p>
<p>16. The City, through Council and the Manager, shall continue discussions with UPMC-Lee and Conemaugh Hospitals with the goal of extending or re-negotiating beyond December 31, 2000, agreements by which the hospitals continue to pay to the City substantial payments in lieu of taxes in consideration of services provided by the city to these institutions.</p>	<p>Council retained special legal counsel to negotiate with the hospitals. UPMC Lee Regional has been acquired by Conemaugh Health Systems and Conemaugh is now the sole healthcare operator in the City. The current agreement with Conemaugh expired at the end of 2006 and provided for an annual payment of \$160,000. UPMC/Lee had been making separate payments. The City is discussing with Conemaugh the PILOT amount going forward for the combined hospitals.</p>
<p>17. The City shall request the Department to provide peer-to-peer assistance to develop, in cooperation with the Manager, Director of Finance and staff, a purchasing procedure manual, cash management plan and investment procedures and strategy for the City.</p>	<p>See No. 3.</p>

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

**CURRENT STATUS**

<p>18. Organize a regional committee composed of designated representatives of local governments and citizens of the metropolitan area to study local resource allocation (functional consolidation of municipal services and eventual possible political consolidation of governments in the area); review capital improvements plans related to the newly created "Capital Investment – Act 47" fund to be considered as appropriate entity by expanding its areas of responsibility once the initial effort is completed.</p>	<p>Some successful efforts in this regard were made through the joint purchase of electricity with the County and School District, continuing Police service agreements, the (eventually unsuccessful) fire service discussions with Westmont and the operation of the Capital Project Priority Committee formed to advise on the use of dedicated earned income tax revenues. These revenues have been discontinued with the expiration of the "commuter tax" in 2005. The Johnstown Renaissance Partnership merged with the Greater Johnstown Committee to form The Johnstown Partnership. The group brings the regional business community together on a quarterly basis. The City manager has attended and made presentations to the group.</p>
<p>19. With the impending loss of the non-resident earned income tax, Council should explore financing major capital projects through bond issues.</p>	<p>In 2004, the City sold the wastewater treatment plant to the Johnstown Redevelopment Authority for \$9.8 million. The City has reserved \$6 million of that sum for capital purchases. The reserve is invested and the earnings will be used to fund capital purchases, supplanting some of the non-resident tax loss.</p>
<p>20. The City must increase the quality of its financial reporting. The City should initiate efforts to improve its financial reporting consistent with GFOA standards with the goal of obtaining GFOA recognition for outstanding budget and annual financial report presentations. The City must also comply with GASB 34 requirements, including development of fixed asset information.</p>	<p>The City is currently undertaking the appraisals required to implement GASB 34. The City Manager and Director of Finance have committed to implement the required procedures and reporting methods to obtain GFOA recognition.</p>
<p>21. The City shall request the Department to provide peer-to-peer assistance to develop, in cooperation with the Manager, Director of Finance and staff, an accounting policy handbook, cash management plan and investment procedures and strategy for the City.</p>	<p>See No. 3.</p>

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

22. As an active participant in the Economic Development Partnership with the Redevelopment Authority and JARI, the City shall initiate the following within the Partnership:

- (1) continue efforts to improve regular communication among Partnership members on economic development matters and strategic economic development projects of mutual concern;
- (2) initiate more formal involvement of state agency(ies) representatives in Partnership meetings; particularly with regard to strategic economic development projects;
- (3) initiation of regular communication with other County and regional economic development organizations in order to facilitate integration of Partnership strategies with other regional efforts;
- (4) a proactive strategy, in cooperation with the Downtown Program, to retain, and facilitate the expansion of, existing businesses in the City;
- (5) a review of available literature and recommendation to Council on whether taxing land and buildings separately would encourage development and, in cooperation with the City Manager, a review of the impact of such a system upon city tax revenues and upon various categories of property owners such as major industrial companies and homeowners; and
- (6) maintain quarterly meetings among Partnership members, Council, Redevelopment Authority Board and staff and JARI Board and staff.

**CURRENT STATUS**

The Partnership has worked well and accomplished much. New efforts in the CBD organized by merchants themselves (“Discover Downtown Task Force”) are encouraging but the Partnership needs to stay involved. The Partnership’s cooperation in preparing the City’s Annual Single Application in 2001-2002 reinforced the Partnership’s role in initiating and coordinating the City’s community and economic development objectives which are consistent with the Recovery Plan and supported by the Recovery Team. The City took the lead in Downtown revitalization efforts in cooperation with the “Discover Downtown Task Force,” through preparation of a marketing brochure, an inventory of vacant space and the institutionalization of the Task Force operations. City DCED staff regularly apprises City Council of economic development activities via the Community and Economic Development Committee of City Council. The Partnership has submitted a combined single application to mirror the effort taken in 2001-2002. This application addresses the key areas of focus and priorities for the City. The Discovery Downtown Partnership has held public meetings beginning on November 14, 2006 to move forward in implementing a Main Street Manager Program in conjunction with the City.

**BUDGETARY AND FINANCIAL ANALYSIS**

<b>BUDGETARY AND FINANCIAL ANALYSIS</b>	
<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>23. The City, through Council, the Manager and the Director of Community and Economic Development, shall continue its cooperation with JAHA in initiating early action, site specific neighborhood revitalization efforts in qualifying neighborhoods such as Moxham and Old Conemaugh Borough.</p>	<p>Plans for Moxham, Old Conemaugh, Kernville, Woodvale, Oakhurst and Morrelville have been completed. The Morrelville and Oakhurst communities are currently the most active. The Old Conemaugh and Woodvale Groups have merged. The neighborhood plans are input for the annual programming of CDBG funds and the Single Application to the Commonwealth. The City is continuing to use neighborhood meetings for input on both the CDBG and City programs. The Neighborhood Revitalization Strategy Area (NRSA) has placed four new projects in the Downtown and Kernville Areas. Two businesses in Kernville are medical research in nature and the Downtown project is residential revitalization of an old building into loft apartments. The neighborhoods of Moxham, Oakhurst and Hornerstown have formed committees that meet on a regular basis with City personnel and do community projects to confirm active interest in their communities.</p>

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

24. The City shall continue, and seek to expand, its efforts in housing rehabilitation by: (1) combining state funds available in cooperation with JAHA for use in historic neighborhoods with CDBG and remaining HOME funds to support the Owner Occupied Housing Rehabilitation Program; (2) using CDBG funds to match landlord funds to support the Rental Unit Rehabilitation Program; (3) continuing its effort to recruit additional banks to join PNC and U.S. National Bank to market and provide mortgage financing at attractive rates to home buyers as part of the First-Time Home Buyer Program; (4) improving the City's efforts in marketing the availability of all housing rehabilitation programs and funds; (5) continuing its efforts to obtain access to HOME funds by initiating a consortium of neighboring municipalities, through the COG, to apply for state HOME funds; and (6) creating the new position of Construction Coordinator, to be paid out of CDBG funds, to oversee housing rehabilitation projects and to supervise such construction activities as street paving and sidewalk improvements.

**CURRENT STATUS**

Housing remains a high community development priority. As part of the City's FY 2006 CDBG Funding Strategy, the City has allocated \$160,000 to the Owner Occupied Housing Rehabilitation Program, \$225,000 to the First Time Homebuyer Program, \$254,000 to Public Improvements, and \$127,500 to Code Enforcement. In addition the City has allocated \$150,000 to the regular City-wide Demolition Program which demolishes vacant standard housing in the City.

The City has allocated significant funds from its Home Funding Strategy to the Homeownership Rehabilitation Program. The City through its Department of Community and Economic Development continues to use HOME and CDBG funds to aid housing in the City.

The City now has four banks that participate in its First Time Homebuyer Program. The City now receives a Home Entitlement Allocation from HUD in the amount of approximately \$300,000 annually and it has hired a Construction Coordinator.

Recently the City purchased five blighted residential properties and is using UDAG funds to demolish the buildings. The properties are in the process of being purchased and returned to taxation. A 4 unit market rate town house complex is being built in the City, the first such construction in at least 10 years.

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

**CURRENT STATUS**

25. The City, through Council and the Manager, shall initiate discussions with the Housing Authority to review the Authority's contribution to the City in lieu of taxes, the impact of public housing upon the City, and alternatives to the current style of public housing in Johnstown.

Although the payments in lieu of taxes have not increased, some of the oldest housing has been demolished and replaced by single site homes and rehabilitated units. In addition, with the assistance of the City DCED, JHA has embarked on a single family rehabilitation program for homeowners. The units will be in taxation. The City has also expanded Police contracts with JHA to help offset costs. The City is partnering with the Johnstown Housing Authority on the transfer of Penneco II properties in the Prospect area to JHA. New Homes will be built and sold to eligible City residents. Recently, several-market rate housing units have been built in Prospect by the Housing Authority.

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

**CURRENT STATUS**

26. The City, through the Economic Development Partnership, must increase its affirmative efforts to market the City as a place to do business. The Partnership should identify those businesses which "make sense" in Johnstown and actively recruit them to available City sites. Specifically, businesses which could use existing industrial buildings and sites should be identified and recruited. The recruitment effort must include a description of the array of economic development incentives available to a recruited business, such as Keystone Opportunity Zones, Enterprise Zones, and others.

The City and JARI worked together on developing a high-tech initiative for development in the City. The Chamber of Commerce revamped its marketing of Johnstown and the area to fit with the high-tech focus. The City prepared an economic development promotional piece with a downtown focus which highlights Johnstown's loan programs, KOZ's and local market conditions. The City's Single Application included a request for funds to further the high-tech initiative and the marketing of that effort. The City and JARI focused the High-Tech initiative on developing and filling the Reliant/GPU building. The City pledged \$50,000 (UDAG repayments) toward this initiative, with those funds being matched by the private sector in the amount of \$200,000 for a total of \$250,000. The City and JARI continue their focus on the High-Tech Initiative. The space originally allocated for High-Tech businesses in the Reliant Building has been developed and filled. Additional suitable space is being sought for further expansion of High-Tech businesses in the City. The City was represented at the Industrial Management Asset Council Conference in Tampa, Florida in April, 2003 and the Core Net (a real estate trade organization) conference in Canada in May, 2003. The marketing of the City is an ongoing issue. In 2005, the City designated its Economic Development Department as a Bureau and provided increased funding for its operations. \$33,000 was budgeted to provide for an active recruitment and retention program for the City. As part of this program, the City participated in trade shows designed to target the employment niches that will serve the City. The City will also develop and implement a business outreach program to the City. The City will also develop and implement a business outreach program to gather input from existing business. The City's efforts will be geared to complement the existing programs of various agencies, but will remain focused on the City as the first priority.

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

**CURRENT STATUS**

27. Johnstown's demographics indicate that the percentage of elderly residents continues to grow. These residents require assistance in such tasks as installing smoke detectors, raking leaves and shoveling snow. As part of its neighborhood planning efforts, the City, through its Department of Community and Economic Development, should pursue the recruitment and organizing of volunteers to provide these services to the elderly at no, or nominal, cost. Churches and community organizations should be included in these efforts. The City should also consider making modest grants, with UDAG Funds, available to neighborhood groups willing to coordinate the provision of these services.

The City has received payment from UPMC Lee Regional (now Conemaugh Health Systems) for a prior UDAG loan - \$888,000 over four years -- which may give the City financial resources to deal with the "elderly services" issue. Final payment was made in 2006. The City will work with the various county, state and local agencies to provide for services as required.

28. A "21<sup>st</sup> Century Plan for Downtown Johnstown" has been completed by Delta Development Corporation. Council, the Manager and the Recovery Team, along with the Economic Development Partnership, shall review the Plan's recommendations and prioritize their implementation. The Partnership shall amend its list of strategic projects to reflect prioritization of the Plan recommendations.

The City has established a web page which will be the central clearinghouse for economic development activity as recommended in the 21<sup>st</sup> Century Plan. A video production company is producing a 3 minute video for use on the website. Other aspects of the plan are being furthered, including the Upper Main Street Redevelopment Area, the Sani-Dairy site reuse (Conemaugh Technology Park), the Renaissance Complex and a Railroad Station reuse study. The Johnstown Renaissance Project is complete and operational. The City is currently reviewing the 21<sup>st</sup> Century Plan for other items to address. The City should update the 21<sup>st</sup> Century Plan in 2006 and refocus on goals that are attainable.

29. The City, in cooperation with JARI and the Economic Development Partnership, shall continue to encourage technology-related business growth in the City and region.

See No. 26. The City's Integrated Emergency Operation Center is open and operating and FEMA has declared the Center a "best practice." The County intends to move its Emergency Operations Center to the City facility in 2006.

**BUDGETARY AND FINANCIAL ANALYSIS**

**RECOMMENDATIONS**

**CURRENT STATUS**

30. The City, in cooperation with the Economic Development Partnership, must continue to market the Sani-Dairy site (with or without the structure) for reuse.

The Sani-Dairy site has been sold and is currently being developed by Conemaugh Health Systems as a Technology Park, which will house both health care and commercial office space. Funding is in place for a marketing and feasibility study of a "Life Sciences Corridor" from the Technology Park to Conemaugh Hospital.

31. City Council and the Recreation Department must consider the best use of the Point Stadium site, probably for some type of continued spectator sport venue. Possibilities include the new construction of a multi-purpose, perhaps enclosed, sports facility. New significant users of the stadium/complex must be recruited.

The City has authorized a 3 year contract with Bishop McCort for Fall sports, beginning in 2006. The City must develop a business plan to market the stadium for a variety of appropriate uses. Both Bishop McCort and Johnstown High have submitted request for baseball rental in spring 2007. Funding for artificial turf is crucial and is being pursued at the State level. Contacts are being made with concert promoters and advertising is being marketed for the Point.

32. The City, in cooperation with the Economic Development Partnership, must build on the success of the Cambria Iron Works Complex to continue to foster new development of the City's industrial Brownfield sites.

The City and the Johnstown Redevelopment Authority continue to develop and utilize the City's Brownfield sites. The Redevelopment Authority has initiated contact with International Steel Group, the purchaser of Bethlehem's remaining property in the City. The following are project sites that have been developed: Johnstown High School site in Moxham, Johnstown Corporation expansion in Moxham, Flood City Brass Building in Hornerstown, Shelly Concrete in Hornerstown and the new Festival Park in the Downtown. Johnstown Welding Corporation has expanded in the old Iron Works Complex. Hornerstown Business Park is being jointly developed by the City and a private partner.

33. The City, in cooperation with the Economic Development Partnership, shall identify and develop an action plan to determine the ownership of, and then demolish or improve and clean up significant buildings and/or vacant areas in key City locations, such as downtown and the Bedford Street "Gateway."

See No. 22, 23 and 24. The Gateway Gardens area has been leased from the CSX Railroad and demolition has been completed for a garden at the Bedford Street exit of the Route 56 Bypass.

**BUDGETARY AND FINANCIAL ANALYSIS**

<b>BUDGETARY AND FINANCIAL ANALYSIS</b>	
<b>RECOMMENDATIONS</b>	<b>CURRENT STATUS</b>
<p>34. The City's Department of Community and Economic Development shall identify and list the "worst houses" in the City's neighborhoods for demolition. The City shall then prepare an action plan, with funding sources, to demolish the houses and, in cooperation with public and private housing agencies, develop a plan to infill these locations with new housing. Emphasis should be placed on housing for middle, and upper-middle, income residents.</p>	<p>The City is taking a more aggressive approach toward clean up of vacant properties. The City has revised its ordinances to reinstate the vacant property review committee. The City will work closely with the Johnstown Redevelopment Authority. The City has placed this item as a top priority for 2006. The City has seated its Blighted Property Review Board and is working with its solicitor to devise the most aggressive methods available to remove blighted properties. The City, through a plan entitled "Market Based Housing Strategy" proposed by the City Manager, is pursuing the acquisition and demolition of unusable housing throughout the City. The plan is to encourage new market-based housing in the City.</p>
<p>35. The City's Department of Community and Economic Development, in cooperation with the Johnstown Housing Authority, shall identify and list all Section 8 housing in the City and shall evaluate the condition of that housing. The two agencies shall the prepare an action plan, with funding, to improve or replace deteriorated Section 8 housing.</p>	<p>The City is cooperating with JHA to identify the Section 8 housing properties on the City's deteriorated property list.</p>

**ADMINISTRATIVE AND PERSONNEL MANAGEMENT**

**RECOMMENDATIONS**

**CURRENT STATUS**

<p>36. In the face of declining, or at best flat, revenues into the foreseeable future, the City's ability to deliver core services will be challenging. Each City department should initiate a strategic planning process to maximize efficiency and minimize expenditures to assure continuing delivery of such services. Employees should be included in the planning process.</p>	<p>Each Director was asked to assess their department functions and staff. Chapter V calls for a staffing study of all City departments using DCED grant funds.</p>
<p>37. The City shall continue its efforts to improve the quality of service to its residents. Efforts shall continue, in cooperation with the Greater Johnstown Committee, Community College and others, to train department directors and staff in the principles and practices of customer service and improved delivery of services.</p>	<p>The City is currently working with Conemaugh Health Systems to piggyback on its customer service training to allow City employees to attend these sessions at no cost. Parking and Codes personnel have attended customer service training at Conemaugh. The City is currently working with the Community College to improve staff's abilities in the use of Microsoft Word and Excel.</p>
<p>38. The City Manager, in cooperation with the Chief, shall continue to pursue accreditation of the Police Department.</p>	<p>A Police Sergeant has been assigned full time as "accreditation manager." The Department is compiling its Standard Operating Procedures and required supporting documentation. The accreditation process is approximately 80% completed. The City anticipates problems in meeting accreditation standards which address facilities as opposed to procedures.</p>
<p>39. The Manager, in cooperation with all Department Directors and the Police and Fire Chiefs, shall review and evaluate all mutual aid provided by the City to other municipalities or government entities and make recommendations to Council as to the possibility to generate increased revenues from these services or new services.</p>	<p>See No. 8. Public Works mutual aid agreements have been increased and Police agreements are being reviewed.</p>

**ADMINISTRATIVE AND PERSONNEL MANAGEMENT**

**RECOMMENDATIONS**

**CURRENT STATUS**

<p>40. The Manager and Director of Finance shall continue to explore a records management system for the City, including the ability to scan and store public records. The Manager shall work with the Recovery Team and Department to identify state funds available to purchase such a system.</p>	<p>See No. 1.</p>
<p>41. The Manager and Director of Finance shall work with the Recovery Team and Department to identify state funds available to design and install a Wide Area Network (WAN) for the City.</p>	<p></p>

**INTERGOVERNMENTAL RELATIONS**

**RECOMMENDATIONS**

42. The City, through Council and the Manager, shall initiate discussions with the Cambria County Commissioners regarding procedures being utilized by the County's Tax Claim Bureau to collect the City's delinquent real property taxes. The City shall attempt to obtain the participation of the Johnstown School District in these discussions in an effort to accomplish more aggressive collection of taxes due both taxing bodies.

**CURRENT STATUS**

The Tax Claim Bureau is generating a list of delinquent properties for potential buyers. The City has disposed of 2 properties, converting them from non-tax to taxable status. No progress has been made in generally improving the Bureau's collection of delinquent City taxes. The City's auditor has approached the School District about using its earned income records to merge with the City data for better files. The City is also finalizing a Property Registration Ordinance to update and improve City Data as well as increased cooperation from the Landlords Assoc. for enforcement of Moving In Permits and fees. The City will work with landlords for identifying tenants with delinquent payment histories.

**COLLECTIVE BARGAINING ISSUES**

**RECOMMENDATIONS**

43. The labor agreements between the City and the IAFF, USWA, AFSCME and the FOP (whether resulting from collective bargaining between the parties or interest arbitration pursuant to ACT 111 or otherwise) covering calendar years 2003 and thereafter shall not result in a Total Average Cost Per Hour Worked in any such year (when calculated using the same methodology and formula used in the applicable provisions of the Recovery Plan dated July, 1994) that is greater than the Total Average Cost Per Hour Worked for the preceding year plus the lesser of 3% or the percentage increase in the cost of living (CPI-W National) for the most recent twelve month period measured from August 1 to July 30 of the year preceding the effective date of any such increase. In the event CPI-W National data is not available, the CPI-U National figures shall be used for purposes of this section. In the event CPI-U National data is not available, the parties shall mutually agree on an alternative index.

**CURRENT STATUS**

AFSCME, USWA and FOP contracts expired in 2007. An agreement has been reached with AFSCME. The FOP contract went to arbitration and an award was issued on October 11, 2007. The IAFF contract is in arbitration. Negotiations are underway with USWA.