



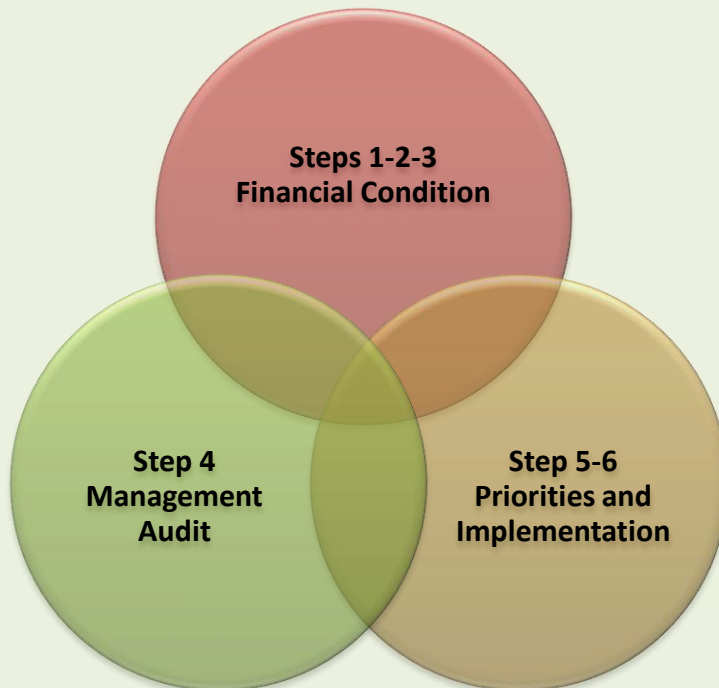
# CITY OF MONESSEN

## **EARLY INTERVENTION PROGRAM 5 YEAR FINANCIAL MANAGEMENT PLAN**

**STEP 1 – FINANCIAL CONDITION**

**STEP 2 – FINANCIAL TREND ANALYSIS**

**STEP 3 – EMERGENCY/SHORT TERM PLAN**



*Prepared by:  
Grass Root Solutions  
April 2017*

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**Elected Officials**

Louis Mavrakis	Mayor
Ronald Chiaravelle	Councilman
Edward Lea	Councilman
Patricia Bukowski	Councilwoman
John Nestor	Councilman

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## INTRODUCTION

Financial management through adopting budgets is one of local government's most fundamental responsibilities. A municipality's budget establishes its legal authority for incurring costs and paying for expenses throughout the year. It establishes control over how money is spent and reflects the government's priorities. Many governments turn to short-term fixes, such as debt financing and one-time revenue sources (e.g., grants, government aid, and interfund transfers) to address an underlying imbalance between revenues and expenditures in any given year. If not managed carefully, these short-term fixes can turn into long-term structural deficits that cripple local government operations. Structural deficits result when there is an underlying imbalance between revenues and expenditures that continues over multiple fiscal periods.

The Commonwealth's Early Intervention Program (EIP) helps local governments improve their operating efficiencies in order to avert long-term structural deficits that could ultimately result in a formal declaration of distress.

The EIP guidelines require a six-step planning process designed to assess a municipality's baseline financial condition, evaluate the operations of each municipal department, establish institutional priorities, and recommend strategies for stabilizing the local tax base. The six-step planning process is outlined below:

- ☐ Step I: Financial Condition Assessment
- ☐ Step II: Financial Trend Analysis
- ☐ Step III: Emergency Plan for Current Fiscal Year
- ☐ Step IV: Management Audit/Review
- ☐ Step V: Multiyear Plan Adoption
- ☐ Step VI: Five-Year Plan Implementation

As part of the EIP, the Commonwealth expects local governments to include their elected officials, key staff, and residents in the process in order to ensure the successful implementation of the recommendations contained in the Five-Year Plan (hereinafter referred to as the "Plan").

### The EIP Process

The Commonwealth's Early Intervention Program (EIP) helps local governments improve their operating efficiencies in order to avert these long-term structural deficits that could ultimately result in a formal declaration of distress.



## HISTORY AND STRUCTURE

### History

The City of Monessen (City), located in southern Westmoreland County was founded in 1899. According to the 2011-2015 American Community Survey (ACS) 5-Year Estimate from the U.S. Census Bureau, in 2015 the City had a population of approximately 7,584 and a total land area of 3.1 square miles. Monessen is surrounded by Rostraver Township to the east and the Monongahela River to the west. The City of North Charleroi and Charleroi Borough in Washington County are located on the west side of the river from the City.



Originally the City was incorporated as a borough in 1898 and was later designated a city in 1921. The City was originally named for the Monongahela River that is located adjacent to the City, and the word "Essen", was named after a well-known industrial German town. At its founding at the turn of the century, the City was heavily based on manufacturing home to such companies as Monessen Tin Plate Works, American Steel Hoop Company, and Pittsburgh Steel Works among others.



The City of Monessen experienced a rapid population growth in the first three decades of the twentieth century, when the City's population peaked at 20,268 in 1930. During the 1960s, like many of the region's industrial companies, the population in the City started to drastically decline, with the most significant drop between 1960 and 1970 when the City saw a loss of population of 3,208 residents or -21.6% of its total population. This was the time that many of the City's industrial companies ceased their operations, most significantly the City's largest employer, Wheeling-Pittsburgh Steel Corporation. It is estimated that the current population in Monessen was 7,584 in 2015 (the latest data available). Table 1 provides an overview of the population growth and decline since 1900.



TABLE 1 – HISTORY OF POPULATION GROWTH AND DECLINE

Year	Population	Percentage Change (+ or -)
1900	2,197	-
1910	11,775	436.0%
1920	18,179	54.4%
1930	20,268	11.5%
1940	20,257	-0.1%
1950	17,896	-11.7%
1960	18,424	3.0%
1970	15,216	-17.4%
1980	11,928	-21.6%
1990	9,901	-17.0%
2000	8,669	-12.4%
2010	7,720	-10.9%
2015	7,584	-1.76%

SOURCE: U.S. CENSUS BUREAU, 1900-2014 AMERICAN COMMUNITY SURVEY

## Structure

The City of Monessen is classified as a City of the Third Class and utilizes a commission form of government. The City Council acts as the governing body and is comprised of five Councilpersons and a Mayor elected at large. Under this form of government, the Council acts legislatively to approve the ordinances, policies, and directives for the City organization and also carries out ministerial duties. Each City Council member heads a specific department area as follows:

- Police and Public Affairs (Mayor Mavrakis)
- Accounts & Finance (Councilman Chiaravelle)
- Streets & Public Improvement (Councilman Lea)
- Public Safety (Councilman Nestor)
- Parks & Public Property (Councilwoman Bukowski)

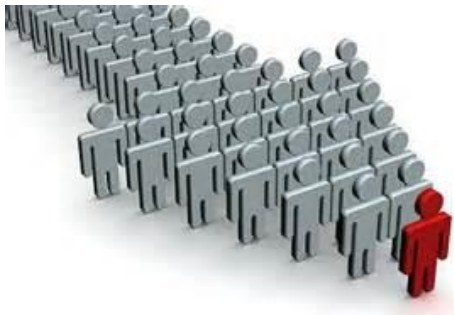
## DEMOGRAPHICS

According to the 2010 U.S. Census and the 2011-2015 Five-Year American Community Survey (ACS), the City had a population of 7,584 in 2015. The population in 2000 was 7,720, indicating a decrease of about 136 residents from the 2000 Census. The population is projected to remain somewhat consistent in the coming years.

According to the 2010 Census, approximately 83.2% of the population was white; 13.3% was African-American; 0.4% was Asian; 1.5% was Hispanic or Latino; and approximately 2.9% was of two or more races

The following statistics are reported in the 2010 U.S. Census and the 2011-2015 ACS:

- The median age of the population was 47.5 years.
- Approximately 17.0% of the City's population was under the age of 18.
- About 25.7% of the residents in the City were over the age of 65.
- The median age found in the City is comparable to that of Westmoreland County which exhibits a median age of 46.1 years.
- Males accounted for approximately 46.3% of the total population in the City, and females accounted for 53.7% of the total population.
- There were 4,545 housing units in the City. 21.4% were reported as vacant.
  - There were approximately 3,571 households. The average household size in the City was 2.10.
  - Approximately 21.3% of households had someone living alone who was 65 years of age or older.
  - The median household income was \$35,447.
  - Approximately 11.8% of the City's families were below the poverty level. This was much higher than the county level (6.9%), state level (9.3%) and national level (11.3%).
  - The median value of an owner-occupied unit in the City was approximately \$75,800, which was less than Westmoreland County (\$138,500), Pennsylvania (\$166,000), and the United States (\$178,600).
- Almost one-third (29.6%) of the housing units in the City were renter-occupied housing units.



Like many of western Pennsylvania communities, the City initially experienced a steady increase in population which peaked in 1930. However, the population has steadily decreased since 1960. Monessen must begin to work with the understanding that they will likely either remain at the same population or only experience small incremental population growth as land is redeveloped in the City and vacancy rates drop. **Table 2** provides a comprehensive look at nine comparable cities in Western Pennsylvania utilizing the 2011-2015 American Community Survey (ACS) 5-Year Estimate from the U.S. Census Bureau.

TABLE 2 – COMPARATIVE DEMOGRAPHIC AND AREA CHARACTERISTICS- 2011-2015 ACS

MUNICIPALITY	POPULATION	AREA (SQ. MILES)	POP. DENSITY (SQ. MILES)	MEDIAN HOUSEHOLD INCOME (\$)	MEDIAN VALUE OWNER- OCCUPIED UNITS (\$)	FAMILIES BELOW POVERTY LEVEL (%)	HIGH SCHOOL GRADUATES OR HIGHER (%)	BACHELOR'S DEGREE OR HIGHER (%)
<b>Aliquippa</b>	9,296	4.5	2,066	30,851	64,700	27.9	88.2	15.1
<b>Arnold</b>	5,053	0.8	6,316	28,160	57,700	27.8	88.2	7.6
<b>Beaver Falls</b>	8,768	2.3	3,812	29,031	58,500	25.1	83.7	14.4
<b>Clairton</b>	6,752	3.0	2,251	30,207	46,600	18.1	91.8	13.4
<b>Connellsville</b>	7,550	2.3	3,283	29,560	75,500	20.3	86.2	12.7
<b>Duquesne</b>	5,556	2.0	2,778	19,776	38,600	36.8	88.5	12.7
<b>Farrell</b>	4,852	2.3	2,110	29,806	60,500	16.5	86.1	14.8
<b>Jeannette</b>	9,464	2.4	3,943	40,180	82,500	9.0	90.8	16.2
<b>Monessen</b>	7,584	3.1	2,446	35,447	75,800	11.8	90.0	16.3
<b>Monongahela</b>	4,235	2.1	2,017	45,150	78,900	11.8	89.0	13.9
<b>Westmoreland County</b>	361,251	1,036	349	52,247	138,500	6.9	92.7	26.4
<b>PA</b>	12,779,559	46,005	278	53,599	166,000	9.3	89.2	28.6
<b>U.S.</b>	316,515,021	3,796,742	83	53,889	178,600	11.3	86.7	29.8

SOURCE: U.S. CENSUS BUREAU, [WWW.SPCREGION.ORG](http://WWW.SPCREGION.ORG)

Information from the 2011-2015 ACS data indicates that the median household income in Monessen was higher than all other comparable cities with the exception of Jeannette and Monongahela. Although the median household income is higher than several of the comparable cities, Monessen's median household income is much

lower than Westmoreland County, Pennsylvania, and the U.S. In terms of educational attainment (which typically has a direct correlation to income), the percentage of residents in Monessen City who have graduated from high school is 90.0%, which is higher than the comparable cities (with the exception of Clairton and Jeannette). The high school attainment in Monessen is also higher than that of Pennsylvania and the United States, but slightly lower than Westmoreland County's average of 92.7%. The percentage of those in the City who have a bachelor's degree or higher was 16.3% of residents, which was higher than all of the comparable communities, but significantly lower than the county, state, and national averages of 26.4%, 28.6%, and 29.8% respectively.

Data from the Environmental Systems Research Institute (ESRI) Business Analyst was used to estimate future demographic trends. **Table 3** and **Table 4** display ESRI's projections for Monessen compared to the county, state, and national averages. The ESRI projections indicate that in 2021 the median household income in Monessen is expected to *decrease* by about 6.0%. This is unlike the projections for Westmoreland County, Pennsylvania, and the U.S., which are all expected to increase. Also according to this data, Monessen's median household income was significantly below the county, state, and national averages in 2016 and is projected to continue to be lower in 2021. This data may vary slightly from the 2011-2015 ACS and 2010 Census data because it is a compilation of data from a number of different sources (including Census data). ESRI data is provided because it includes projections that the Census and 2011-2015 ACS do not provide.

TABLE 3 – MEDIAN HOUSEHOLD INCOME

MEDIAN HOUSEHOLD INCOME		
LOCATION	2016	2021
Monessen City	\$34,362	\$32,301
Westmoreland County	\$51,796	\$56,087
Pennsylvania	\$53,805	\$59,638
U.S.	\$54,149	\$59,476

SOURCE: ESRI BUSINESS ANALYST, JANUARY 2017

TABLE 4 – MEDIAN HOME VALUE

MEDIAN HOME VALUE		
LOCATION	2016	2021
Monessen City	\$73,129	\$88,338
Westmoreland County	\$145,634	\$180,305
Pennsylvania	\$180,249	\$214,005
U.S.	\$198,891	\$231,895

SOURCE: ESRI BUSINESS ANALYST, JANUARY 2017

**Table 4**, which shows median home values in 2016 and 2021, projects that Monessen’s median home value will increase over the next 5 years by about 20.8%. However, it should be noted that Monessen’s median home value is almost half than that of Westmoreland County, Pennsylvania, and the U.S.

## BUSINESS AND INDUSTRY

TABLE 5 – JOBS BY INDUSTRY CODE SUMMARY – CITY OF MONESSEN

JOBS BY NAICS INDUSTRY SECTOR	2007	2008	2009	2010	2011	2012	2013	2014	NET (+ / -)	PERCENTAGE (+ / -)
Mining, Quarrying, and Oil and Gas Extraction	0	0	1	0	0	4	25	13	13	1300%
Construction	39	37	39	73	128	153	89	102	63	161.5%
Manufacturing	120	136	288	258	203	177	150	278	158	131.7%
Wholesale Trade	51	96	75	93	50	69	60	65	14	27.5%
Retail Trade	105	117	93	107	112	113	104	82	-23	-21.9%
Transportation and Warehousing	106	148	103	71	82	138	142	163	57	53.8%
Information	67	71	71	72	75	13	71	61	-6	-9.0%
Finance and Insurance	100	103	90	98	110	96	94	90	-10	-10.0%
Real Estate and Rental and Leasing	26	16	11	6	15	12	12	15	-11	-42.3%
Professional, Scientific, and Technical Services	28	29	33	27	19	18	17	29	1	3.6%

<b>JOBS BY NAICS INDUSTRY SECTOR</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>NET (+ / -)</b>	<b>PERCENTAGE (+ / -)</b>
Management of Companies and Enterprises	0	0	1	3	1	0	0	0	0	0.0%
Administration & Support, Waste Management and Remediation	10	29	33	19	26	65	63	23	13	130.0%
Educational Services	140	159	155	182	164	230	220	129	-11	-7.9%
Health Care and Social Assistance	260	251	250	235	187	146	234	210	-50	-19.2%
Arts, Entertainment, and Recreation	2	2	1	5	6	11	6	0	-2	-100%
Accommodation and Food Services	69	94	81	88	91	86	74	64	-5	-7.2%
Other Services (excluding Public Administration)	73	83	95	75	79	70	63	93	20	27.4%
<b>Public Administration</b>	44	2	39	46	49	61	58	58	14	31.8%
<b>Total</b>	<b>1,240</b>	<b>1,373</b>	<b>1,459</b>	<b>1,458</b>	<b>1,397</b>	<b>1,463</b>	<b>1,482</b>	<b>1,475</b>	<b>235</b>	<b>19.0%</b>

SOURCE: U.S. CENSUS BUREAU, ON THE MAP APPLICATION & LEHD ORIGIN-DESTINATION EMPLOYMENT STATISTICS

**Table 5** presents a complete review of the major industry sectors in Monessen and the number of jobs for each sector from 2007 through 2014, which was the most recent year reported.

Overall, Monessen City gained 235 jobs from 2007 through 2014. The sector that gained the largest amount of jobs was Manufacturing and the sector that lost the largest amount of jobs was Health Care and Social Assistance. The following conclusions may also be drawn from the data displayed in **Table 5**:

- The largest industry sectors as of 2014 were Manufacturing; Health Care and Social Assistance; and Transportation and Warehousing.
- Although Health Care and Social Assistance is the largest industry sector by number of jobs, the sector also saw the largest decrease between 2007 and 2014, losing a total of 50 jobs.
- The Construction industry saw one the largest increases of jobs in terms of percentages with an increase of 63 jobs or 161.5% increase.
- The Mining, Quarrying, and Oil and Gas Extraction industry had no jobs in 2007 and saw a gain of 13 jobs by 2014.

- Overall between 2007 and 2014, eight industry sectors lost jobs, nine industry sectors gained jobs, and three sectors: Agriculture, Forestry, Fishing and Hunting; Utilities; and Management of Companies and Enterprises remained the same with zero employees within those sectors.

In order to better understand the economic makeup of the industry sectors, U.S. Census information was pulled for the largest sectors in the zip code in which the City is located and is presented in the following pages. It should be noted that the data listed in these tables are by the number of business establishments and not by individual jobs. It should also be mentioned that the detailed data is not available for each municipality, but rather by the zip code in which the City is incorporated, which is 15062. From this zip code, the City of Monessen makes up 99.6% of the zip code and Rostraver Township comprises the remaining 0.4%. Therefore, while most establishments listed below will likely be located within Monessen's limits, it may be possible that not all businesses are located within the City limits. As of March 2014, the Census reported that 1,411 people were employed within the zip code 15062 and the annual payroll was \$55.1 million.

**Table 6** provides detail for businesses that fall under the City's largest job sector, which is Manufacturing, and includes 4 business establishments. Although it may seem that the Manufacturing Industry is a small industry within Monessen because it includes only 4 business establishments, one must look at the size of the businesses establishments to see that an individual business can employ a large number of employees.

TABLE 6 – MANUFACTURING INDUSTRY SECTOR DETAIL FOR 2014

INDUSTRY CODE DESCRIPTION (BY EMPLOYMENT-SIZE)	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 +	TOTAL
Food Manufacturing	0	0	0	1	0	0	0	0	0	<b>1</b>
Petroleum & Coal Products Manufacturing	0	0	0	0	0	1	0	0	0	<b>1</b>
Computer & Electronic Product Manufacturing	0	1	0	0	0	0	0	0	0	<b>1</b>
Furniture & Related Product Manufacturing	0	0	0	0	1	0	0	0	0	<b>1</b>

SOURCE: U.S. CENSUS BUREAU, CENTER FOR ECONOMIC STUDIES, LOCAL EMPLOYMENT DYNAMICS

**Table 7** provides detail for businesses that fall under the City's 2<sup>nd</sup> largest job sector, which is the Health Care and Social Assistance industry comprised of 20 business establishments. The largest number of establishments in this sector falls under both the Ambulatory Health Care Services and Social Assistance subsectors with 8 establishments each. The Nursing and Residential Care Facilities subsector includes the remaining 4 business



establishments. Within these subsectors, all the business establishments appear to be smaller in size, with no individual business employing more than 50 employees.

TABLE 7 – HEALTH CARE &amp; SOCIAL ASSISTANCE SECTOR DETAIL FOR 2014

Industry Code Description (by employment-size)	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 +	Total
Ambulatory Health Care Services	5	1	1	1	0	0	0	0	0	<b>8</b>
Nursing & Residential Care Facilities	0	1	1	2	0	0	0	0	0	<b>4</b>
Social Assistance	2	2	2	2	0	0	0	0	0	<b>8</b>

SOURCE: U.S. CENSUS BUREAU, CENTER FOR ECONOMIC STUDIES, LOCAL EMPLOYMENT DYNAMICS

**Table 8** provides the detail for businesses that fall under the City's 3<sup>rd</sup> largest job sector, which is the Transportation and Warehousing industry sector, comprised of 4 business establishments. The largest subsector is Water Transportation which includes 3 establishments. Each of these establishments is comprised of between 50 and 99 employees each. The Transit and Ground Passenger Transportation subsector includes one business that employs between 10 and 19 employees.

TABLE 8 – TRANSPORTATION &amp; WAREHOUSING INDUSTRY SECTOR DETAIL FOR 2014

INDUSTRY CODE DESCRIPTION (BY EMPLOYMENT-SIZE)	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 +	TOTAL
Water Transportation	0	0	0	0	3	0	0	0	0	<b>3</b>
Transit & Ground Passenger Transportation	0	0	1	0	0	0	0	0	0	<b>1</b>

SOURCE: U.S. CENSUS BUREAU, CENTER FOR ECONOMIC STUDIES, LOCAL EMPLOYMENT DYNAMICS

It is apparent by reviewing the above data that Monessen has a wide range of jobs and businesses that are located in and support the economic environment in the City. While there is a diverse range of businesses and jobs, it should also be noted that the City of Monessen still relies heavily on an industrial-focused economy that includes Manufacturing, Construction, and Transportation and Warehousing sectors.

## TAX BURDENS

One of the tools used to measure the revenue-generation potential for a community is real estate tax burdens. Because real estate taxes are the primary method for supporting local government services, and in Monessen

makes up 32.0% of the revenue base, it is important to understand the potential for generating additional revenue from this source. And because the City is competing with other communities for residents and businesses, it is important to understand the tax burden on City residents relative to other nearby communities in Westmoreland County.

In order to analyze the Real Estate Tax burden for residents in the City, information utilizing 2016 local, county, and school district tax rates and assessments were retrieved from the Westmoreland County and Pennsylvania Department of Community and Economic Development (DCED)'s websites. This summary information is provided in **Table 9** below.

**Table 9** shows the 2011-2015 Five-Year American Community Survey (ACS) population and the median market value of owner-occupied units. The median market value is then multiplied by the common level ratio and the millage rates for local, school, and county taxing bodies in order to determine the average tax bill for residents in that municipality. The common level ratio is assigned by the PA State Equalization Board in order to normalize the assessed value of property to market value from county to county. Each county is assigned a common level ratio based on how close the average assessed value is to the average market value.

The average tax bills for the comparable communities in **Table 9** vary from community to community. The median tax bill for the Monessen residents averages \$5,008 and is slightly higher-than-average when compared to the wide range of tax bills shown below. For example, the City of Monongahela has a median tax bill of \$13,800 while the City of Connellsville has a median tax bill of \$1,942. The City of Monessen's millage rate at 130.83 is the fourth highest millage rate mostly as a result of the outdated property assessments in Westmoreland County. In Allegheny County and Fayette County, the valuations are more recent and better reflect the market values than in Washington and Westmoreland counties.

When adjusted by common level ratio and applied to the median market values of property in Monessen, the average tax bill for residents in Monessen, at \$5,008 is slightly higher than that of similar cities and similar size in western PA.

TABLE 9 – 2016 MEDIAN REAL ESTATE TAX BILLS - COMPARABLE COMMUNITIES

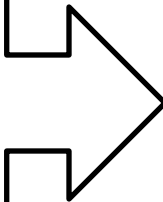
MUNICIPALITY	2016 POPULATION	2016 MEDIAN MARKET VALUE	2016 Common Level Ratio	2016 MILLAGE (LOCAL, SCHOOL, COUNTY)	2016 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)
<b>Aliquippa</b>	9,296	\$64,700	0.364	120.00	\$2,826
<b>Arnold</b>	5,053	\$57,700	0.505	147.76	\$4,306
<b>Beaver Falls</b>	8,768	\$58,500	0.364	120.20	\$2,560
<b>Clairton</b>	6,752	\$46,600	1.090	40.02	\$2,033
<b>Connellsville</b>	7,550	\$75,500	1.350	25.72	\$2,622
<b>Duquesne</b>	5,556	\$38,600	1.090	27.23	\$1,146
<b>Farrell</b>	4,852	\$60,500	0.356	117.98	\$2,541
<b>Jeannette</b>	9,464	\$82,500	0.505	133.35	\$5,556
<b>Monessen</b>	7,584	\$75,800	0.505	130.83	\$5,008
<b>Monongahela</b>	4,235	\$78,900	0.505	174.90	\$6,969

SOURCE: PENNSYLVANIA DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT (DCED) – MUNICIPAL STATISTICS (MUNSTATS.PA.GOV), 2016 DATA, AND U.S. CENSUS BUREAU

The tax bill comparison shown in **Table 9** does not fully examine the tax burden issue because it can be argued that residents in some communities, such as Jeannette and Monongahela with higher incomes, can more easily afford to pay higher tax bills. For this reason, in **Table 10**, the tax burdens of the City and comparable communities are adjusted by calculating what percentage of the median household income is used to pay the total real estate tax bill. Based on this calculation, the median tax burden for Monessen residents is 28.0%, which is slightly higher than the average of the comparable communities (21.11%). Monongahela has the largest tax burden of 30.6%, while Connellsville has the lowest burden of 6.6%.

TABLE 10 – 2016 MEDIAN REAL ESTATE TAX BILL OF COMPARABLE COMMUNITIES AS PERCENTAGE OF INCOME

Monessen City residents have a higher tax burden than comparable cities of similar size in Western PA.



MUNICIPALITY	2016 POPULATION	2016 MEDIAN HOUSEHOLD INCOME	2016 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)	2016 TAX BURDEN (% OF INCOME PAID FOR RE TAXES)
<b>Aliquippa</b>	9,296	\$30,851	\$2,826	9.16%
<b>Arnold</b>	5,053	\$28,160	\$4,306	15.29%
<b>Beaver Falls</b>	8,768	\$29,031	\$2,560	8.82%
<b>Clairton</b>	6,752	\$30,207	\$2,033	6.73%
<b>Connellsville</b>	7,550	\$29,560	\$2,622	8.87%
<b>Duquesne</b>	5,556	\$19,776	\$1,146	5.79%
<b>Farrell</b>	4,852	\$29,806	\$2,541	8.53%
<b>Jeannette</b>	9,464	\$40,180	\$5,556	13.83%
<b>Monessen</b>	7,584	\$35,447	\$5,008	14.13%
<b>Monongahela</b>	4,235	\$45,150	\$6,969	15.43%

SOURCE: PENNSYLVANIA DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT (DCED) – MUNICIPAL STATISTICS (MUNSTATS.PA.GOV), 2016 DATA, AND U.S. CENSUS BUREAU

In addition to cities of the same size and demographics shown in **Tables 9 and 10**, a second analysis of tax burden was conducted for Monessen with six nearby communities. This review compared the respective tax burdens of residents in nearby communities to the tax burden incurred by residents in Monessen. Again, the median tax bill was calculated by multiplying the median market value by the common level ratio and the mills of tax levied by the local, county and school district taxing bodies. The results are shown in **Table 11** below.

TABLE 11 – 2016 REAL ESTATE TAX BURDEN OF NEARBY COMMUNITIES

MUNICIPALITY	2016 POPULATION	2016 MEDIAN MARKET VALUE	2016 Common Level Ratio	2016 MILLAGE (LOCAL, SCHOOL, COUNTY)	2016 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)
<b>Charleroi Boro</b>	4,062	\$52,300	0.505	210.95	\$5,572
<b>Donora Boro</b>	4,697	\$52,900	0.505	184.90	\$4,940
<b>Monessen City</b>	7,584	\$75,800	0.505	130.83	\$5,008
<b>North Belle Vernon Boro</b>	1,989	\$82,800	0.505	132.23	\$5,529
<b>North Charleroi Boro</b>	1,305	\$60,900	0.505	213.90	\$6,578
<b>Rostraver Township</b>	11,168	\$148,800	0.505	115.23	\$8,659
<b>West Newton Boro</b>	2,585	\$96,600	0.505	123.28	\$6,014

SOURCE: PENNSYLVANIA DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT (DCED) – MUNICIPAL STATISTICS (MUNSTATS.PA.GOV), 2016 DATA, AND U.S. CENSUS BUREAU

Monessen's median market value of \$75,800 is similar to its nearby and adjacent communities. Charleroi Borough and Donora Borough have the lowest assessed values of \$52,300 and \$52,900 respectively while Rostraver Township has the highest median assessed value at \$148,800.

The results in **Table 11** show that Monessen has one of the lowest average median tax bills compared to nearby communities. Residents in Monessen have similar tax bills to Charleroi, Donora, and North Belle Vernon boroughs. Residents in Rostraver pay much higher tax bills because the market values are much higher than any of the surrounding communities.

Again, in order to better understand the actual tax burden for Monessen households, it is important to review the median tax burden in conjunction with the median income of the neighboring communities, as shown in **Table 12** below.

TABLE 12 – 2016 REAL ESTATE TAX BURDEN OF NEARBY COMMUNITIES AS PERCENTAGE OF INCOME

MUNICIPALITY	2016 POPULATION	2016 MEDIAN HOUSEHOLD INCOME	2016 MEDIAN TAX BILL (LOCAL, SCHOOL, COUNTY)	2016 MILLAGE (LOCAL, SCHOOL, COUNTY)
Charleroi Boro	4,062	\$28,309	\$5,572	19.68%
Donora Boro	4,697	\$34,750	\$4,940	14.21%
<b>Monessen</b>	<b>7,584</b>	<b>\$35,447</b>	<b>\$5,008</b>	<b>14.13%</b>
North Belle Vernon Boro	1,989	\$45,792	\$5,529	12.07%
North Charleroi Boro	1,305	\$40,139	\$6,578	16.39%
Rostraver Township	11,168	\$63,378	\$8,659	13.66%
West Newton Boro	2,585	\$37,712	\$6,014	15.95%

SOURCE: PENNSYLVANIA DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT (DCED) – MUNICIPAL STATISTICS (MUNSTATS.PA.GOV), 2016 DATA, AND U.S. CENSUS BUREAU

In **Table 12**, the median tax burden for the City and its neighboring communities is calculated by determining what percentage of a household's median income is used to pay the real estate tax bill. Monessen residents pay about 14.1% of their median income for real estate tax payments which is similar to many of the surrounding communities. Charleroi and North Charleroi residents have the highest tax burden.

### SUMMARY OF OBSERVATIONS AND FINDINGS

Monessen is a small third class City that is located on the eastern bank of the Monongahela River in southern Westmoreland County. One of the cities that thrived during the peak of the U.S. Steel Industry, Monessen has seen a decrease in population over the past several decades. Approximately 25.7% of the population is 65 years of age or older. According to the 2011-2015 ACS data, 11.8% of the City's families are below the poverty level, which is much higher than the county (6.9%), state (9.3%), and the national average of 11.3%. Median

household income was estimated to be \$35,447 in 2016. The City's median household income is much lower than that of Westmoreland County, the state, and the nation.

Monessen has a comparable educational attainment to the comparable communities of similar size in Westmoreland County. Educational attainment of a Bachelor's Degree or higher is much lower than the county, state, and national averages.

Although witnessing a significant increase in population between 1900 and 1930 (by approximately 18,071), Monessen has experienced a continual decline since 1960 with an estimated population of just 7,584 in 2016. Although the City has seen an increase in the number of jobs in recent years, attempts should still be made to address the loss of establishments in the Health Care and Social Assistance and Retail Trade industry sectors in the community. In order to protect its economic viability, the City must protect jobs and find ways to attract people to live and work in their community.

The City had a combined millage rate (local, school, and county) in Westmoreland County at 130.83 in 2016. The real estate median tax bill in the City, at \$5,008 is higher than other cities of similar size. However, Monessen residents at 14.1% of their income are paying about the same percentage of their income for real estate taxes as are most of the nearby communities.

Like most of the region, the City has experienced continual population loss over the years and is not expected to experience much growth over the next several years. For this reason, Monessen should continue to enhance its current revenue stream as well as strengthen its collection methods. Providing quality public services and encouraging a healthy business climate can draw visitors into the community to purchase goods and services.

Generating revenue and containing costs will be the focus of Steps I and II of the EIP. These sections will identify the existing City revenue streams, the cost of providing major services, and projections for the City's financial position based on realistic assumptions and trending from a historical perspective. In Step III of this report, short-term strategies will be identified and recommended with specific action plans, funding approaches, and specific assignments for responsible persons, groups, committees, or agencies.





## OVERVIEW

Generating revenue and containing costs will be the focus of Steps I and II of the EIP. These sections will identify the existing City revenue streams, the cost of providing major services, and projections for the City's financial position based on realistic assumptions and trending from a historical perspective. In Step III of this report, short-term strategies will be identified and recommended with specific action plans, funding approaches, and specific assignments for responsible persons, groups, committees, or agencies.

### STEP 1: FINANCIAL CONDITION ASSESSMENT

The six-step planning process endorsed by the Commonwealth's EIP process seeks to stabilize a municipality's economic position by preparing realistic revenue forecasts and recommending strategies for achieving greater operational efficiencies. Step I of the EIP's six-step planning process focuses on establishing a municipality's existing financial condition. This baseline assessment provides a meaningful starting point for developing financial forecasts and benchmarking a municipality's performance in future years. In order to present a comprehensive review of existing financial conditions in the City, this report will focus on the ability of the City to generate revenue, the efforts and resources used to provide service delivery, and the City's budgetary policies and reporting system that support decision making. The analysis of the City's finances focuses on the City's core revenues and expenditures. These are the ongoing, routine revenues and expenditures excluding one-time revenues, such as borrowing, grants, and one-time expenditures, such as large equipment purchases. By focusing on the City's core revenues and expenditures, it is possible to obtain an accurate base for making accurate projections. The initial analysis should provide answers to two key questions:

*Have past revenues been enough to sustain the level of services or did the City have to resort to one-time fixes to balance budgets?*

#### **Step 1 Financial Condition Assessment**

Step 1 of the EIP's six-step planning process focuses on establishing a municipality's financial condition. This baseline assessment provides a meaningful starting point for developing financial forecasts and benchmarking a municipality's performance in future years.

*Are there adequate resources to sustain the current level of operations into the future, or will a combination of rate increases, new revenues, and spending cuts be needed?*

## **DEFINING FINANCIAL CONDITION**

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Within the context of municipal government, *financial condition* is broadly defined as “the ability to provide and finance services on a continuing basis.” The International City/County Management Association (ICMA) utilizes the following definitions and time frames when examining a local government’s financial condition:

**CASH SOLVENCY:** A government’s ability to generate cash flow over a 60-day period to pay its bills

**BUDGETARY SOLVENCY:** A government’s ability to generate revenues over its normal fiscal year to meet its expenditures and avoid deficits

**LONG-RUN SOLVENCY:** A government’s ability, in the long-term, to pay all costs of doing business, as well as meeting all costs, such as pension costs and accumulated accrued employee leave benefits, as they occur

**SERVICE-LEVEL SOLVENCY:** A government’s ability to provide services at a certain level and quality that are required for the health, safety, and welfare of the community

According to the *Fiscal Management Handbook* published by the Department of Community and Economic Development (DCED) Governor's Center for Local Government Services, “fiscal or financial management is the process of obtaining funds to support the necessary services provided by your municipality and using those funds in an effective and efficient manner.” Sound financial management, therefore, requires that local elected and appointed officials understand the financial components of the municipality’s financial system and that they make prudent decisions about the allocation of precious and limited community resources.

## **BASE REVENUE PROFILE**

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In municipal finance, the General Fund is *the* primary fund for reporting the financial activity in the day-to-day government operations, including the delivery of basic municipal services like police and fire protection. In addition to using the General Fund to record transactions related to essential municipal services, the City also makes debt service payments from the General Fund to cover principal and interest expenses on outstanding

general obligation bonds and notes. The General Fund is typically the largest fund and is primarily supported by real estate taxes, Act 511 taxes, fees, and other miscellaneous receipts.

In 2012, the City's General Fund revenues were approximately \$4.67 million. The overall revenues fell to a low of \$4.14 million in 2014, grew slightly in 2015 and 2016, but are budgeted conservatively at approximately \$4.07 million for 2017. During that time, real estate tax revenues have fallen steadily.

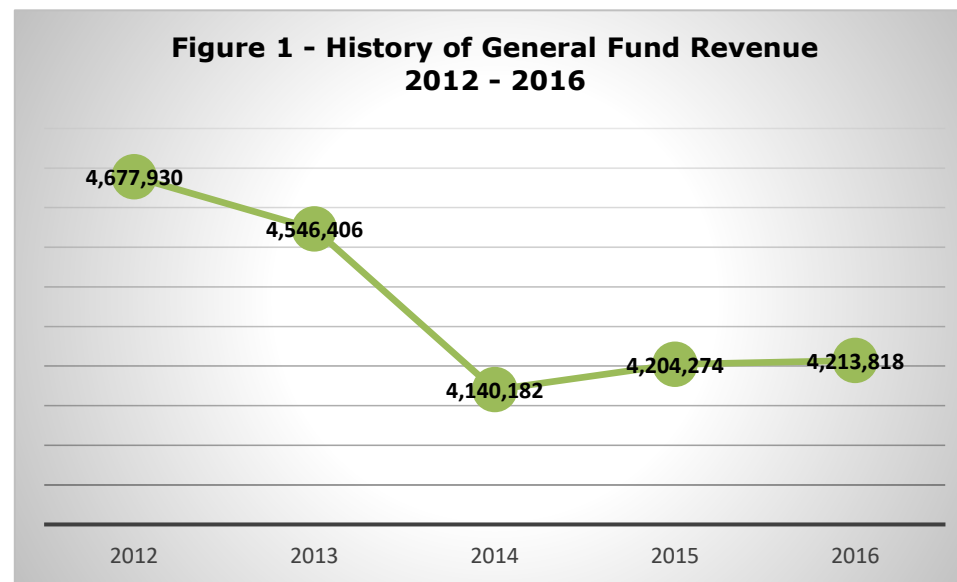
TABLE 13: SUMMARY GENERAL FUND REVENUE

REVENUE	2012	2013	2014	2015	2016	2017
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
REAL ESTATE TAXES	1,475,534	1,414,667	1,387,798	1,357,348	1,386,043	1,399,800
ACT 511 TAXES	658,334	721,000	748,336	759,850	734,333	692,000
LICENSES & PERMITS	59,042	75,140	47,267	32,313	196,048	41,200
CABLE TV FEES	132,277	137,253	135,841	137,430	139,145	140,000
LICENSES AND PERMITS	49,418	19,804	11,758	70,206	42,873	30,000
FINES	68,062	56,197	56,181	48,713	46,706	53,500
INTEREST & RENTS	48	74	19	72	62	100
HIGHWAYS & STREETS	15,787	19,507	19,605	20,528	-	20,000
INTERGOVERNMENTAL	191,732	205,026	179,041	200,699	242,353	221,850
COUNTY HOUSING AUTH. REFUND	7,672	6,704	7,596	7,302	6,477	7,000
GENERAL GOVT. REVENUES	23,000	24,338	25,645	29,740	30,590	30,000
PUBLIC SAFETY	46,124	40,909	53,227	42,511	37,112	44,300
HIGHWAYS & STREETS	56,536	59,660	53,433	57,610	50,667	51,000
SANITATION	663,625	637,767	628,059	599,976	640,599	639,095
MISCELLANEOUS	846,519	769,213	399,032	518,102	321,155	165,000
REIMBURSABLE EXPENSES	190,249	178,558	197,007	305,986	215,741	244,500
SALE CITY PROPERTY	10,919	1,310	2,337	15,886	60,529	2,500
INTERFUND TRANSFER	183,051	179,279	188,000	0	63,385	292,000
<b>TOTAL REVENUE</b>	<b>4,677,930</b>	<b>4,546,406</b>	<b>4,140,182</b>	<b>4,204,274</b>	<b>4,213,818</b>	<b>4,073,845</b>

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

**Table 13** shows actual collections of General Fund revenues from 2012 through 2016 and the budgeted revenue for 2017. Over a five-year period between 2012 and 2016, total General Fund revenues decreased by approximately 10%. It should be noted that the largest decrease by far was between 2013 and 2014. This can be attributed to the lack of interfund transfers in 2015 and a decrease in fines and miscellaneous revenue. Act 511 taxes have been strong and relatively stable over the past five (5) years.

**Figure 1** illustrates how the General Fund expenditures decreased to a low in 2014 and began to increase in 2015 and 2016. The City budgeted a conservative \$4,073,845 in revenues for 2017.

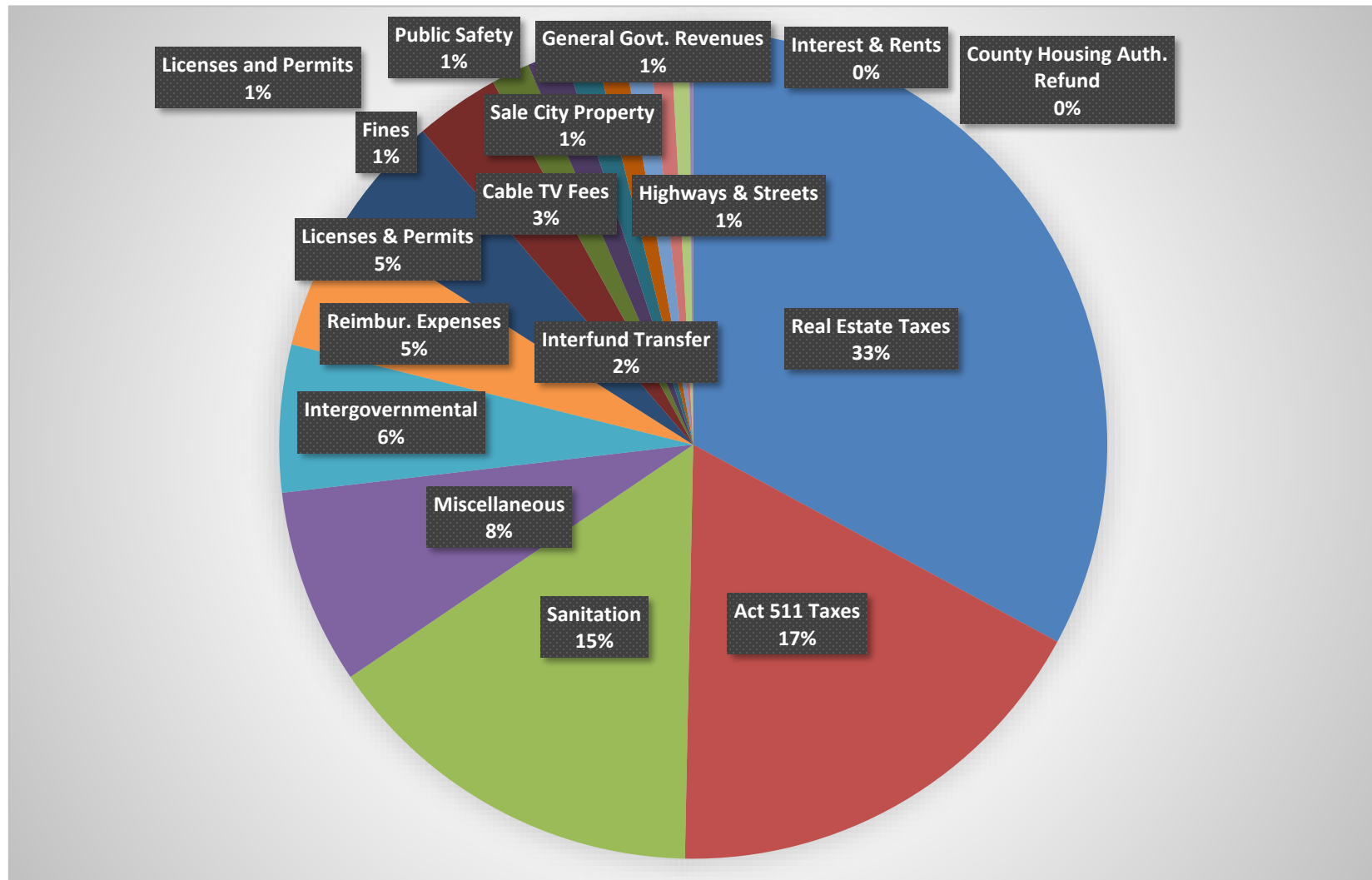


SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

By budgeting conservatively, the City has a better chance of meeting all obligations and beginning to build a reserve fund that can be used for unanticipated expenses in the future.

Major sources of General Fund revenue are shown in **Figure 2** and **Table 14**. These illustrate the types and percentages of the City's revenue sources.

FIGURE 2: SOURCES OF GENERAL FUND REVENUE (2016)



SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

In 2016, tax revenue accounted for 50% of the City's total General Fund revenues. The largest tax source is real estate taxes which represent 33% of all revenue. Act 511 taxes which make up the next largest category at 17% have been a stable and strong revenue source totaling \$734,333 in 2016. Six other categories of revenues collected made up over \$100,000 of the budget. They include Sanitation, Miscellaneous Revenues, Intergovernmental Revenues, Reimbursable Expenses, Licenses and Permits, and Cable TV Fees. The City is heavily dependent on tax revenue which makes for a relatively unstable revenue base. Over the long term, unemployment, stagnant economy, lack of development, decreases in property values, and similar external factors could have a negative impact on the City's ability to generate revenue.

TABLE 14: SOURCES OF GENERAL FUND REVENUE, PERCENT OF TOTAL (2016)

Source	2015	% of Total
<b>Real Estate Taxes</b>	\$1,386,043	33%
<b>Act 511 Taxes</b>	\$734,333	17%
<b>Sanitation</b>	\$640,599	15%
<b>Miscellaneous</b>	\$321,155	8%
<b>Intergovernmental</b>	\$242,353	6%
<b>Reimburse Expenses</b>	\$215,741	5%
<b>Licenses &amp; Permits</b>	\$196,048	5%
<b>Cable TV Fees</b>	\$139,145	3%
<b>Interfund Transfers</b>	\$63,385	2%
<b>Sale of City Property</b>	\$60,529	1%
<b>Highways &amp; Streets</b>	\$50,667	1%
<b>Fines</b>	\$46,706	1%
<b>Licenses and Permits</b>	\$42,873	1%
<b>Public Safety</b>	\$37,112	1%
<b>General Govt. Revenues</b>	\$30,590	1%
<b>County Housing Auth. Refund</b>	\$6,477	0%
<b>Interest &amp; Rents</b>	\$62	0%
<b>Total 2016 Revenue</b>	<b>\$4,213,818</b>	

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

## Real Estate Taxes

Real estate tax revenue is the largest source of City revenue, consistently representing at least 31% of overall revenue from 2012 through 2016. Real estate taxes and Act 511 taxes together make up a majority of all revenue collected by the City. Real estate tax revenue is dependent on three interrelated factors: (1) Westmoreland County's property assessments, (2) the City's tax rate, and (3) the City's collection rate. An increase in either the assessment or tax rate can sometimes result in a decrease in collection rate because delinquencies increase in the face of higher property tax bills. **Table 15** shows how assessed values have decreased steadily between 2012 and 2016.

TABLE 15: REAL ESTATE TAX COLLECTION AND MILLAGE HISTORY (2010-2016)

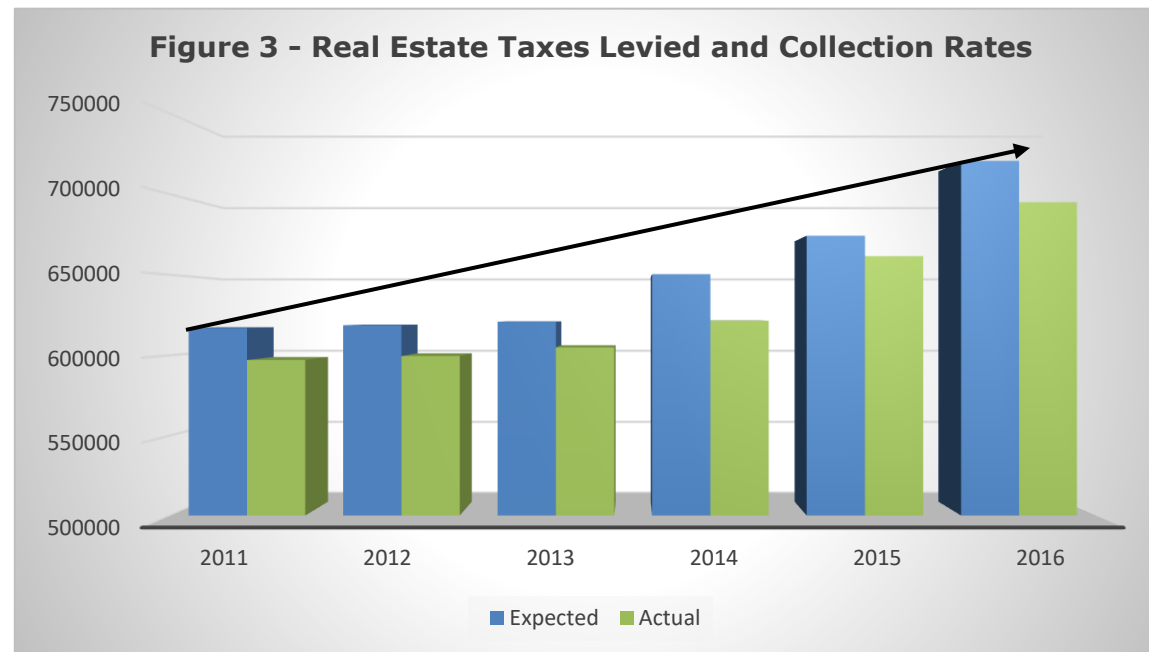
ASSESSED VALUES AND MILLAGE CALCULATIONS 2011-2015	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
Fiscal Year	2012	2013	2014	2015	2016
Assessed Value	60,257,790	60,134,690	59,973,830	59,281,390	58,919,190
Millage Rate	0.035850	0.035850	0.035850	0.035530	0.037430
Tax Bills	2,160,242	2,155,829	2,150,062	2,106,268	2,205,345
Less 2% Discount	(43,205)	(43,117)	(43,001)	(42,125)	(44,107)
<b>Total Expected Tax Bills</b>	<b>2,117,037</b>	<b>2,112,712</b>	<b>2,107,061</b>	<b>2,064,142</b>	<b>2,161,238</b>
Actual Collection (General)	1,317,253	1,247,505	1,212,699	1,205,562	1,279,090
Actual Collection (Debt)	297,704	374,067	425,983	421,004	426,004
Actual Collection (Library)	54,941	49,983	50,017	50,001	45,775
Actual Collection (Recreation)	218,978	222,730	180,980	185,997	182,359
<b>Total Collection</b>	<b>1,888,876</b>	<b>1,894,286</b>	<b>1,869,679</b>	<b>1,862,564</b>	<b>1,933,228</b>
<b>Collection Rate</b>	<b>89.22%</b>	<b>89.66%</b>	<b>88.73%</b>	<b>90.23%</b>	<b>89.45%</b>
<b>Dollars Per Mill</b>	<b>52,688</b>	<b>52,839</b>	<b>52,153</b>	<b>52,422</b>	<b>51,649</b>

SOURCE: CITY OF MONESSEN FINANCIALS, WESTMORELAND COUNTY WEBSITE, AND GRS ANALYSIS



The distribution of millage to the General Fund decreased in 2015 and to 35.53 mills then increased in 2016 to 37.43 in 2016. This distribution changes from year to year depending on how much of the millage must be dedicated to debt service.

**Table 15** indicates that the real estate tax collection rate for the City has remained relatively steady at 89-90%. This is lower than the average rate of collection municipalities in the Commonwealth which is typically between 90% and 95%. However, it is a respectable rate for cities of the Third Class. The City collects only about \$52,000 for each mill of tax that is levied due to outdated assessment values that are established by Westmoreland County and have not been updated since \_\_\_\_.



SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

**Figure 3** compares the original real estate taxes that are billed to property owners to actual collections. The shortfall includes a combination of discounts, successful assessment appeals, reclassification of properties from taxable to tax-exempt, and delinquencies. Delinquent accounts are turned over to the Tax Claim Bureau in January of each year.

Despite a decrease in assessed values, more millage was distributed to the General Fund and, as a result, the real estate tax collection increased from \$1,862,564 in 2015 to \$1,933,228 in 2016. **Table 16** provides a history of real estate tax collection over the past five (5) years.

TABLE 16: REAL ESTATE CURRENT YEAR TAX COLLECTION

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REAL ESTATE TAXES	2012	2013	2014	2015	2016
	35.85 Mills	35.85 Mills	35.85 Mills	35.85 Mills	37.43 Mills
301.10 · Real Estate - Current GL	1,317,253	1,247,505	1,212,699	1,205,562	1,216,705
301.20 · R.E. Tax - Prior Year	9,746	1,108	5,828	3,276	34,297
301.30 · R.E. Tax – Delinquent Penalty	2,115	171	343	1,578	802
301.40 · Tax Claim Bureau	146,421	165,884	168,929	146,931	134,239
<b>Total Real Estate Taxes</b>	<b>1,475,534</b>	<b>1,414,667</b>	<b>1,387,798</b>	<b>1,357,348</b>	<b>1,386,043</b>

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

## Act 511 Taxes

Pennsylvania's Local Tax Enabling Act (Act 511 of 1965) empowers municipalities and school districts to levy a variety of different taxes to support General Fund activities. These taxes, which are commonly referred to as Act 511 Taxes, are subject to maximum limitations based on the class of a municipality and/or school district. If only one taxing body levies the tax, the tax can be levied at its legal limit. However, if both taxing bodies levy the tax, the revenue must be shared equally between the municipality and school district. Unlike local property taxes, which tend to lag behind changes in the economy, Act 511 Taxes respond quickly to market conditions. This is particularly true for Act 511 Taxes that are assessed on a flat-rate basis, such as the Per Capita Tax and Local Services Tax (LST).

The City levies several Act 511 Taxes at the levels shown below. The City levies .5% on residents and 1% on non-residents who do not pay the tax in any other jurisdiction. Monessen residents pay a .5% EIT levy for school taxes to Monessen School District. The EIT is collected by Berkheimer Associates who have been appointed by the Westmoreland Tax Collection District to collect EIT. Mercantile and LST are also collected by Berkheimer Associates under a separate contract with the City. **Table 17** shows the Act 511 Taxes that are

available to Pennsylvania's municipalities and the corresponding rates currently levied by Monessen and the Monessen School District.

TABLE 17: ACT 511 TAX RATES

TAX AUTHORIZED	MUNICIPAL	CITY OF MONESSEN	MONESSEN SCHOOL DISTRICT
	LEGAL LIMIT	TAX AMOUNT	TAX AMOUNT
Local Services Tax (LST) <sup>1</sup>	\$52	\$47	\$5
Earned Income Tax	1% ( <i>resident and nonresident</i> )	.5%	.5%
Real Estate Transfer	1%	.5%	.5%
Mercantile Wholesale Tax	1 mills	.5 mills	.5 mills
Mercantile Retail Tax	1.5 mills	.75 mills	.75 mills
Mercantile – Business Privilege	Current Authorization	.75 mills	.75 mills
Amusement	5%	5%	N/A
Mechanical Devices	No Limit	\$600	N/A

SOURCE: DCED PUBLICATION (CITY HANDBOOK) AND CITY CODE

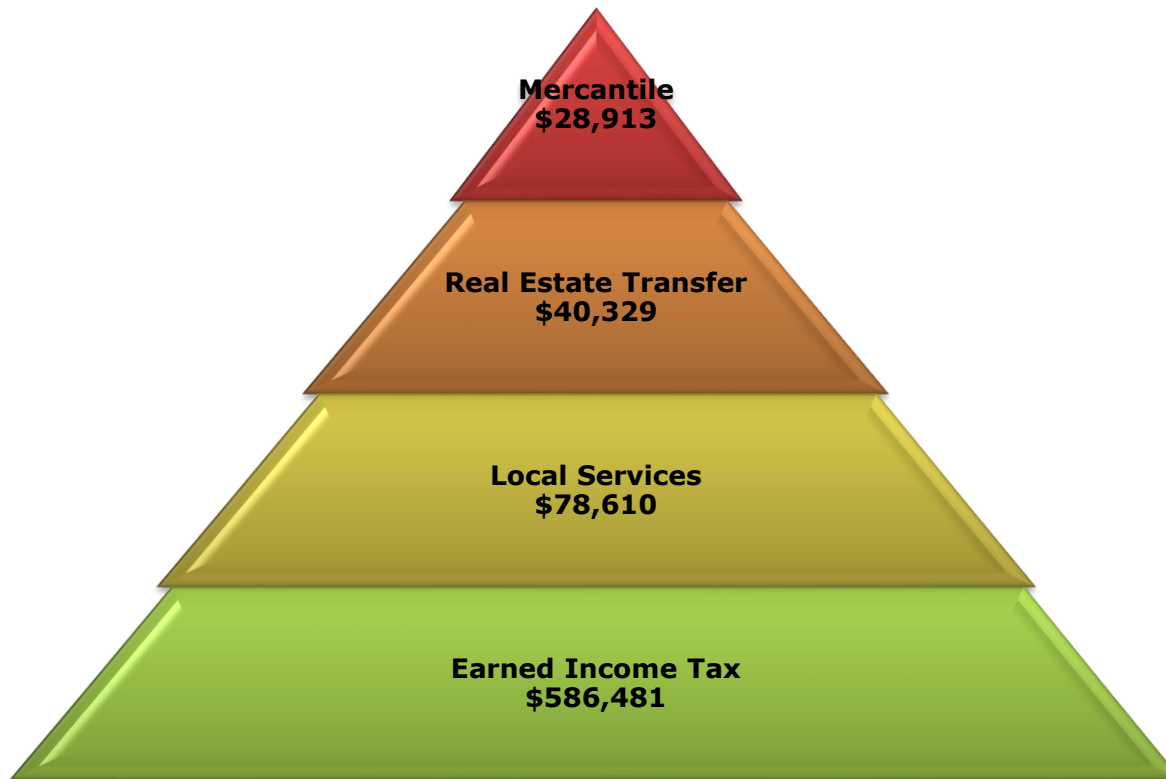
**Table 18** below provides a history of the collection of all Act 511 taxes from every source. This collection has been one of the most stable and consistent of all the City revenue. Earned income tax, specifically, has shown steady increases since the implementation of the countywide collection in 2012.

TABLE 18: ACT 511 TRENDS BY REVENUE SOURCES

Act 511 Taxes	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
310.10 · Real Estate Transfer	29,501	25,913	33,436	33,512	40,329	35,000
310.21 · Earned Income Tax	539,261	580,872	599,270	614,010	586,481	550,000
310.31 · Mercantile - Current	31,890	35,657	34,155	36,341	28,913	34,000
310.41 · Local Services Tax	57,683	78,558	81,474	75,988	78,610	73,000
<b>Total Act 511 Taxes</b>	<b>658,334</b>	<b>721,000</b>	<b>748,336</b>	<b>759,850</b>	<b>734,333</b>	<b>692,000</b>

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

**Figure 4** below shows how each Act 511 Tax, in order of importance, will contribute to the overall 2016 revenue base.



SOURCE: CITY OF MONESSEN FINANCIAL REPORTS

### **Earned Income Taxes (EIT)**

The EIT is a tax levied on a percentage of earned income. Every employer that has a place of business within the taxing jurisdiction is required by law to withhold EIT from employees working at that location. Local ordinance determines if the tax will be equally imposed on residents and nonresidents. The City levies a .5% EIT on residents and 1% on nonresidents if the domicile they live in does not impose an EIT. The tax falls on wages, salaries, and net profits from unincorporated businesses. Pass-through entities, including limited liability corporations, are considered unincorporated businesses for tax purposes. The rate is capped at 1% under Act 511. The Monessen School District levies a .5% EIT, so Monessen residents are subject to a total of 1% EIT.

State legislation entitled Act 32 of 2008 was passed mandating the use of countywide Tax Collection Committees (TCC) for the collection of EIT beginning in 2012. One of the most significant pieces of local tax legislation enacted in recent years, Act 32, amended the Local Tax Enabling Act (Act 511) by providing for the development of countywide Tax Collection Districts (TCDs). Most TCDs are contained within the geographical boundaries of the respective county. The legislation, which was mandated beginning in January 2012, is now fully implemented. The Westmoreland Tax Collection District appointed Berkheimer Tax Administrator as their Tax Collector.

Act 32 requires that employers withhold EIT from all employees and remit the tax to the Tax Collector within which the employer is located. The Collector is responsible for the distribution of the taxes to the other TCDs. The Pennsylvania Department of Revenue provides personal income tax data collected by the state to the TCCs. Self-employed residents are expected to self-report the tax, make quarterly payments, and file a final return with supporting documentation. Even with better

### **Definition of Earned Income Tax in Pennsylvania**

*"Earned income."* Compensation as determined under section 303 of the act of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of 1971," and regulations in 61 Pa. Code Pt. I Subpt. B Art. V (relating to personal income tax), not including, however, wages or compensation paid to individuals on active military service. Employee business expenses are allowable deductions as determined under Article III of the "Tax Reform Code of 1971." The amount of any housing allowance provided to a member of the clergy shall not be taxable as earned income.

*"Net profits."* The net income from the operation of a business, profession, or other activity, except corporations, determined under section 303 of the act of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of 1971," and regulations in 61 Pa. Code Pt. I Subpt. B Art. V (relating to personal income tax).

collection methods in place, net profits from unincorporated businesses and all income earned by transient renters can be missed. **Table 19** provides a history of the City's collection of EIT.

TABLE 19: TRENDS IN EIT COLLECTION 2012-2017

EARNED INCOME TAX	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
310.21 · Earned Income Tax	539,261	580,872	599,270	614,010	586,481	550,000

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS

### Local Services Tax

The LST is a flat-rate tax deducted from employees and remitted by employers who are located within the taxing jurisdiction; collection is performed by Berkheimer Tax Services. The tax is capped at \$52 per person each year regardless of the number of political subdivisions in which a person may be employed. Currently, Monessen levies \$47 and the school district levies \$5. The legal limit for a City's LST rate is \$52, so Monessen does not have the potential to generate additional income in the future from this revenue source. The revenue will fluctuate based on the number of employers and employees in the City.

TABLE 20: TRENDS IN LST COLLECTION 2011-2016

LOCAL SERVICES TAX	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
<b>310.51 · Local Services Tax Current</b>	57,683	78,558	81,474	75,988	78,610	73,000

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS

### Real Estate Transfer Tax

The Real Estate Transfer Tax is a tax on the sale of real estate and is based on a property's selling price. The property owner pays 1% on the sale of both residential and commercial property in the City. One-half percent is dedicated to the Monessen School District, and the other one-half comes to the City. Transfer tax proceeds have increased from \$29,501 in 2012 to \$40,329 in 2016. As property values increase, the revenue from this source increases. **Table 21**



provides a historical overview of the collection of real estate transfer tax. The revenue has increased slowly but steadily over the past five years.

TABLE 21: TRENDS IN REAL ESTATE TRANSFER TAX COLLECTION

REAL ESTATE TRANSFER TAX	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
<b>310.10 · Real Estate Transfer</b>	29,501	25,913	33,436	33,512	40,329	35,000

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS

### Non-tax General Fund Revenues

In 2016, the City received about one-half of its revenues from nontax sources. The sources include licenses, permits, cable franchise fees, charges for services, and transfers. While these revenues are quite diverse, all are important for providing a steady revenue stream to support the necessary functions of the local government operations. These revenues are detailed in **Table 22** through **Table 25** based on category and significance. Most of these sources are stable and even grow over time while others are dependent on external factors and periodic cost analysis.

### Cable TV Franchise Fees

Licenses and permits have grown steadily over time as the majority of the revenue is from cable franchise fees. This is the 5% franchise payment paid by the cable company and passed on to residents for the sale of cable and internet services that the residents and businesses buy from the providers. Cable franchise fees show an overall increase from 2012 to 2017. There should be a direct correlation in increased revenue received by the City when the cable company increases their prices or constituents increase their cable and internet services.

TABLE 22: CABLE TV FEES

CABLE TV FRANCHISE FEES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
321.08 · Cable Franchise Fees	132,277	137,253	135,841	137,430	139,145	140,000
<b>Total Cable TV Fees</b>	<b>132,277</b>	<b>137,253</b>	<b>135,841</b>	<b>137,430</b>	<b>139,145</b>	<b>140,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS



## Fines and Forfeitures



Fines decreased significantly between 2012 and 2016, but the 2017 budget anticipates an increase in all but State Police fines. The majority of fine revenue comes from Magistrate Fines. This category decreased by 40% between 2012 and 2016. Code Enforcement Fines also decreased significantly. The City hired an in-house code enforcement officer at the end of 2016. This should result in additional fines being collected.

TABLE 23: FINES

FINES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
331.01 · County Court Fines	3,158	4,576	4,303	3,277	4,958	5,000
331.11 · Magistrate Fines	39,426	34,380	33,661	25,819	23,592	27,000
331.12 · Magistrate Code Enforcement	4,354	3,345	1,321	1,285	718	3,000
331.13 · State Police Fines	7,864	4,930	4,827	2,035	4,119	3,500
331.14 · Ticket Fines	13,260	8,966	12,070	16,297	13,319	15,000
<b>Total Fines</b>	<b>68,062</b>	<b>56,197</b>	<b>56,181</b>	<b>48,713</b>	<b>46,706</b>	<b>53,500</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Licenses and Permits

The revenues derived from licenses and permits have fluctuated widely in the past few years. Notably, building permits resulted in over \$175,000 in revenues in 2016. This is a one-time permit fee and it is unlikely that the City will receive revenues of that magnitude again. The City budgeted accordingly in 2017.



TABLE 24: LICENSES AND PERMITS

LICENSES AND PERMITS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
320.03 · Plumbers License	1,750	1,750	2,100	1,450	1,350	1,500
320.04 · Building Permits	16,120	33,168	14,644	6,291	177,339	10,000
320.05 · Demolition Permits	2,412	9,361	203	3,492	1,334	3,000
320.06 · Sewers Tap In	-	500	-	-	-	1,500
320.07 · Mercantile Machines	38,360	30,161	29,910	21,080	15,925	25,000
320.08 · Soliciting Permits	300	200	410	-	100	200
<b>Total Licenses and Permits</b>	<b>59,042</b>	<b>75,140</b>	<b>47,267</b>	<b>32,313</b>	<b>196,048</b>	<b>41,200</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

Like business licenses and permits, non-business licenses and permit revenues have fluctuated in the past few years. The 2017 budget reflects reasonable revenues from street opening permits.

TABLE 25: NON-BUSINESS LICENSES AND PERMITS

NON-BUSINESS LICENSES AND PERMITS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
322.82 · Street Opening Permits	49,418	18,804	11,758	70,206	42,873	30,000
<b>Total Non-Business Licenses and Permits</b>	<b>49,418</b>	<b>19,804</b>	<b>11,758</b>	<b>70,206</b>	<b>42,873</b>	<b>30,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Intergovernmental Revenues

The City regularly receives intergovernmental revenues from the state. Some of these revenues are eventually transferred to the General Fund as reimbursement for General Fund activities. Most intergovernmental revenues are stable and are considered “pass throughs.” These include state pension aid, fire relief funds, and the public utility realty tax (PURTA). The City also receives state aid for its highways in the form of state highway aid. These funds are restricted to highway purposes and are captured in a separate fund.

Act 13 impact fees are a new state shared revenue source received since 2015. This is revenue from the Commonwealth associated with the Marcellus Shale drilling that is occurring statewide. The City, like most communities in the Commonwealth, receives a share of the drilling fees based on the number of wells and total fees paid to the state for the wells. This money can be used for emergency services, road repairs, and other specific functions detailed in the Act 13 legislation.

The other new source of revenue was a one-time FEMA reimbursement in 2016.

In 2016, the total state shared revenue was \$242,353. Some of this revenue, such as pension state aid is “pass through” funding and must be expended for specific items in the budget. Other revenues are permitted to remain in the general fund to support general operations. **Table 26** provides an overview of the funds received by the City for the past six years. The City should continue to regularly budget for state shared revenue that is predictable, passed through to other funds, or retained in the general fund.

TABLE 26: INTERGOVERNMENTAL REVENUES

INTERGOVERNMENTAL - STATE	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
	2012	2013	2014	2015	2016	2017
355.009 · Marcellus Shale				18,124	12,718	15,000
355.01 · Public Utility Tax – State Aid	3,594	3,490	3,535	3,277	3,091	3,000
355.04 · Alcohol Beverage Tax	4,150	2,900	2,650	2,800	2,550	2,600
355.05 · FEMA Reimbursement					22,472	-
355.06 · Pension State Aid	146,621	155,374	135,544	141,150	166,237	165,000
355.061 · Act 147 COLA	4,090	6,313	2,250	1,650	1,800	2,250
355.071 · Volunteer Fire Dept.	33,277	36,949	35,062	33,697	33,485	34,000
<b>Total Intergovernmental</b>	<b>191,732</b>	<b>205,026</b>	<b>179,041</b>	<b>200,699</b>	<b>242,353</b>	<b>221,850</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### General Government Earnings

The City receives fees for providing services to residents and businesses. These charges for services are shown in detail in **Table 27**. As of 2016, these revenues make up only about 0.7% of the City’s overall revenue. This is quite low and should be examined to determine if fees can be increased or added as part of the mix for revenue generation. In many cases, municipalities are not charging the full amount for providing services to residents.

Fees should be analyzed to make sure that the costs of labor, materials, overhead, and delinquent charges are being included in the calculation of the fee. By charging fees appropriately, the City could become less reliant on tax revenue and more reliant on charges for services. This practice can help to stabilize the revenue base because the City can establish and change fees at any time to cover the cost of providing the services. In Monessen, fees for services have been increasing slightly over time.

TABLE 27: GENERAL GOVERNMENT CHARGES FOR SERVICES

CHARGES FOR SERVICES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
361.06 – Municipal Lien Letters	10,275	10,575	11,625	12,900	13,050	12,000
361.065 – Tax Certification	12,375	13,413	14,020	16,840	17,540	18,000
<b>Total Charges for Services</b>	<b>22,650</b>	<b>24,338</b>	<b>25,645</b>	<b>29,740</b>	<b>30,590</b>	<b>30,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Public Safety

The City charges several fees for public safety services. The largest public safety fee is the landlord permit fee. Public safety revenue has remained relatively steady over time. **Table 28** provides detailed information about public safety revenues.

TABLE 28: PUBLIC SAFETY FEES 2012-2017

PUBLIC SAFETY FEES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
362.011 Police Reports	2,994	3,114	2,617	2,906	2,722	3,000
362.016 Lock-up Fees	11,900	9,625	13,125	10,500	7,250	10,000
362.017 Eat and Drink License	950	900	950	650	550	1,000
362.018 Sign Permits	2,180	2,045	2,160	1,020	680	1,500
362.020 Health Inspections	1,450	1,250	1,100	650	800	1,500
362.045 Occupancy Permits	12,700	7,750	13,900	10,500	9,175	10,000
362.046 Landlord Fee	13,950	16,225	17,475	14,325	14,175	15,500
362.049 Fireworks Permit	-	-	1,900	1,960	1,760	1,800
<b>Total Public Safety</b>	<b>46,124</b>	<b>40,909</b>	<b>53,227</b>	<b>42,511</b>	<b>37,112</b>	<b>44,300</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Highways and Streets

The City generates over \$50,000 in revenues from parking fees. The largest portion of this category comes from parking meters. **Table 29** provides detailed information about parking revenues. This revenue source has steadily decreased over time.

TABLE 29: HIGHWAYS AND STREETS 2012-2017

HIGHWAYS AND STREETS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
	2012	2013	2014	2015	2016	2017
363.021 Meter Reservations	25,720	27,000	22,675	19,325	21,300	20,000
363.022 On-Street Parking	16,044	15,624	12,444	15,502	12,299	13,000
363.023 Off-Street Parking Permits	11,840	13,200	13,575	16,150	11,300	12,000
363.024 Off-Street Parking Meters	2,932	3,836	4,739	6,633	5,768	6,000
<b>Total Highways and Streets</b>	<b>56,536</b>	<b>59,660</b>	<b>53,433</b>	<b>57,610</b>	<b>50,667</b>	<b>51,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Sanitation

In 2016, the City derived about 15% of its revenues from sanitation fees. Sanitation fees are set at a rate that covers the expenses for the City's garbage contract and the administrative costs for this service. In the past, the City has collected the next year fees in order to cover current year expenses. The City has attempted to limit this practice for 2016 and 2017. **Table 30** provides detailed information about sanitation revenues.

TABLE 30: SANITATION FEES 2012-2017

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
Category	2012	2013	2014	2015	2016	2017
364.03 · Delinquent Garbage - Penalty	10,052	7,000	7,020	12,517	11,575	10,500
364.031 · Garbage Fee - Current	380,205	364,033	348,463	319,018	348,851	340,000
364.032 · Garbage Fee - Delinquent	64,469	58,087	55,442	84,824	101,233	105,000
364.033 · Garbage Fee – Housing Authority	65,715	64,155	62,595	62,595	62,595	62,595
364.035 · Yard Waste Pickups	1,700	1,100	2,375	800	925	1,000
364.04 · Garbage Collected for Next Year	141,485	143,392	152,164	120,222	115,420	120,000
<b>Total Sanitation Revenues</b>	<b>663,625</b>	<b>637,767</b>	<b>628,059</b>	<b>599,976</b>	<b>640,599</b>	<b>639,095</b>

### Miscellaneous Revenues

Miscellaneous revenues vary from year to year. However, they make up a large portion of the City's revenues. Three categories have generated revenues in each year between 2012 and 2016: Damage to City Property, Miscellaneous Receipts, and the Patrolmen's Fund. In 2012 and 2013, the City received about \$500,000 in City "pass through" grants. The 2017 budget limits the use of miscellaneous revenue as a category and has shifted much of this revenue to specifically identified categories.

TABLE 31: MISCELLANEOUS REVENUES 2012-2017

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
Category	2012	2013	2014	2015	2016	2017
380.01 · Damage City Property	7,638	11,540	35,337	55,195	67,013	20,000
380.02 · Miscellaneous Receipts	168,094	67,945	87,188	88,063	126,100	75,000
380.04 · Donations for Demo	-	-	810	1,666	646	-
380.03 · Reimbursements from Other Funds	-	36,850	-	-	-	-
380.05 · Fire Escrow	105,157	58,465	-	33,408	29,907	-
380.08 · Patrolmen's Fund	71,704	63,299	60,420	35,042	81,019	70,000
380.09 · Repository Properties				50,193	-	-
380.091 · Pass Thru Grants	-	2,039	208,724	254,535	16,470	-
380.092 · City Grants	493,925	529,075	6,554	-	-	-
<b>Total Miscellaneous Revenues</b>	<b>846,519</b>	<b>769,213</b>	<b>399,032</b>	<b>518,102</b>	<b>321,155</b>	<b>165,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Reimbursed Expenses

Reimbursed revenues vary from year to year. This revenue is generated for expenses that are made from the General Fund budget that are reimbursed by either other agencies or other City Funds. **Table 32** details reimbursed expenses that generate revenue for the City.

TABLE 32: REIMBURSED EXPENSES 2012-2017

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
Category	2012	2013	2014	2015	2016	2017
381.01 · Misc. Insurance Reimbursement	14,568	2,157	6,563	11,390	1,046	5,000
381.021 · Treasurer Reimbursement Misc. - School	3,059	5,437	9,505	5,157	5,152	6,250
381.024 · Treasurer Reimbursement Misc. - County	3,097	5,399	6,930	4,409	2,244	6,250
381.031 · Misc. Reimbursement Redev, CD, EDZ	3,411	2,912	2,819	4,548	-	-
381.041 · CD Salary Reimbursement	66,569	52,318	57,006	46,597	6,451	-
381.051 · School Guard Reimbursement	11,513	11,118	11,293	12,661	11,806	12,000
381.195 · Treasurer Wage Reimbursement - County	30,457	37,841	33,138	22,339	25,508	25,000
381.196 · Treasurer Wage Reimbursement - School	28,594	41,121	31,982	22,945	24,372	25,000
381.200 · HC Wage / Supplied Reimbursement	-	-	22,646	26,861	-	-
381.300 · Park Wage Reimbursement	-	-	15,126	149,080	139,162	165,000
<b>Total Miscellaneous Revenues</b>	<b>190,249</b>	<b>178,558</b>	<b>197,007</b>	<b>305,986</b>	<b>215,741</b>	<b>244,500</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Revenue Outlook – Observations

**The City's 2017 Budget is a conservative and thoughtful budget that relies on revenue that has historical predictability.**

Based on a review of actual revenues through 2016 and the budget for 2017, it is projected that the City will meet and may exceed its target revenue projections in 2017. The budget projects a reasonable real estate tax collection based on the history of collections and conservative estimates of Act 511 and other sources of reliable revenue sources.

**The long-term trend for General Fund revenues that are available to the City each year has been increasing slowly but steadily - specifically with regard to Act 511 taxes, Fines, and Charges for Services.**

In the last five years, revenues have remained relatively strong, some trending upwards and some trending downwards. Today, the region's economic recovery is well underway but the City seems to be lagging behind in economic activity

**General long-term trends, including population decline and flat assessments, can be blamed for the stagnation in real estate tax revenue.**

The City's collection rate has remained just under the average collection rate for municipalities at about 90%. The City has not increased millage rates in the past several years but has changed its distribution to the various funds.

## PITTSBURGH MARKET OUTLOOK 1<sup>ST</sup> QUARTER 2017

The Pittsburgh market area's economy finds itself in a precarious situation to start 2017. The unemployment rate rose sharply through the second half of 2016, nearing 6% - a level not seen in the region since 2014 when recovery from recession was just beginning to gain real momentum. Pittsburgh's unemployment rate closely mirrored national trends throughout the past 20 years prior to the 2008-09 recession. So the current divergence for the worse versus a stable labor market for the U.S. suggests that Pittsburgh's employers and employees alike may find the coming year difficult in terms of advancing toward new economic goals. But total employment faces little threat of outright declines. A healthy consumer base should keep spending trends intact under an umbrella of consumer confidence.

Pittsburgh's housing market has been able to maintain stability despite the turn for the worse in hiring and income trends. Price appreciation and home sales will at least be able to maintain a steady pace of gains thanks to lower housing costs overall, and the lower hurdle to entry into the housing market that they result in. Home values have been rising since 2009, and are now 22 percent above levels seen at the end of 2007.

*Source: PNC Economic Report, March 2017*



**Table 33** provides a complete summary of the General Fund revenue history from 2012 through 2017.

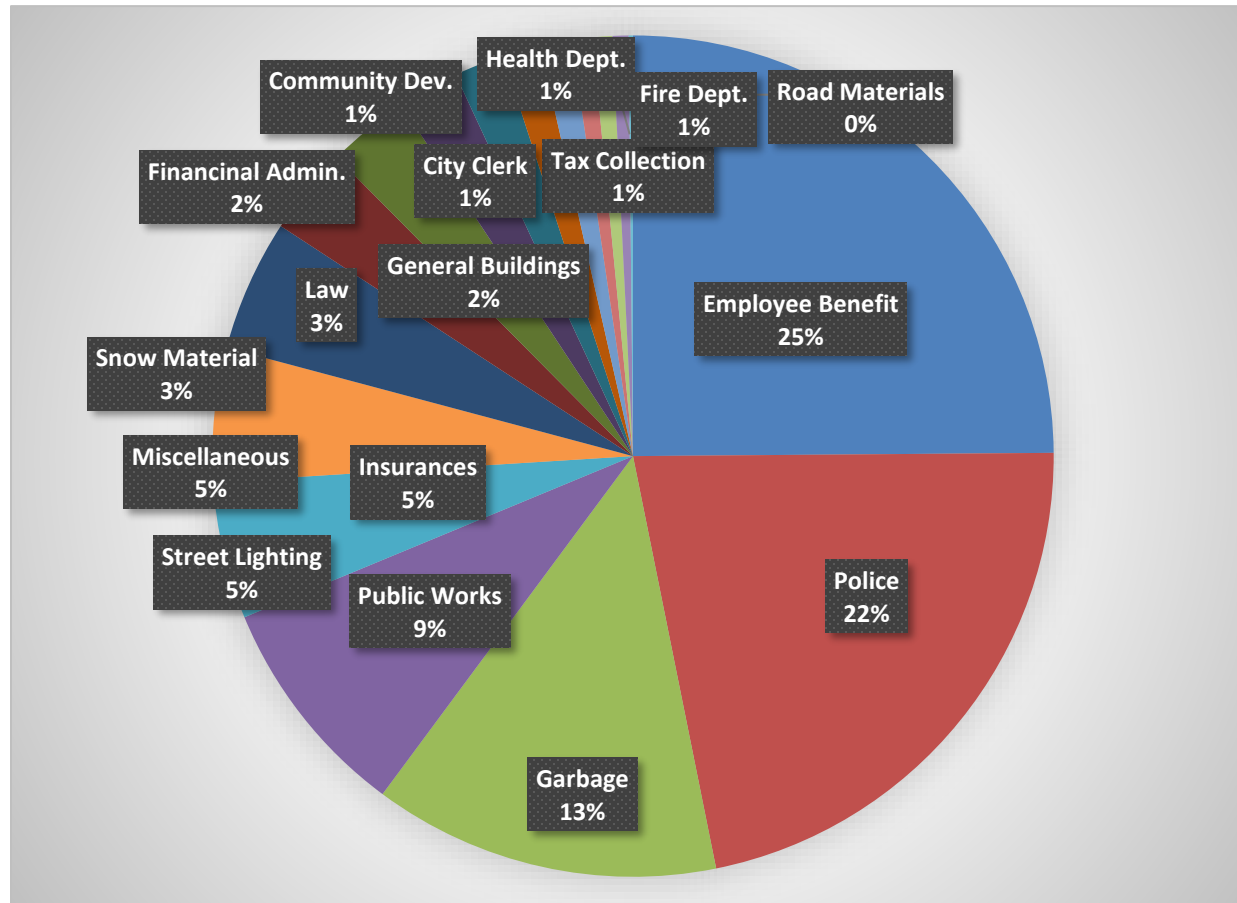
TABLE 33: SUMMARY OF GENERAL FUND REVENUE – HISTORY 2011-2016

		2012	2013	2014	2015	2016	2017
	REVENUE	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
301	Real Estate Taxes	1,475,534	1,414,667	1,387,798	1,357,348	1,386,043	1,399,800
310	Act 511 Taxes	658,334	721,000	748,336	759,850	734,333	743,021
320	License and Permits	59,042	75,140	47,267	32,313	196,048	41,200
321	Cable TV Fees	132,277	137,253	135,841	137,430	139,145	140,000
322	Licenses/Fees	49,418	19,804	11,758	70,206	42,873	30,000
331	Fines and Forfeits	68,062	56,197	56,181	48,713	46,706	53,500
341	Interest and Rents	48	74	19	72	62	100
354	Highways and Streets	15,787	19,507	19,605	20,528	-	20,000
355	Intergovernmental Funds	191,732	205,026	179,041	200,699	242,353	221,850
361	General Govt. Revenues	23,000	24,338	25,645	29,740	30,590	30,000
362	Public Safety	23,000	24,338	25,645	29,740	30,590	30,000
363	Highways and Streets	56,536	59,660	53,433	57,610	50,667	51,000
364	Sanitation	663,625	637,767	628,059	599,976	640,599	639,095
380	Miscellaneous	846,519	769,213	399,032	518,102	321,155	165,000
381	Reimbursed Expenses	190,249	178,558	197,007	305,986	215,741	244,500
392	Interfund Transfer	183,051	179,279	188,000	-	63,385	292,000
	<b>Total Revenues</b>	<b>4,677,930</b>	<b>4,546,406</b>	<b>4,141,182</b>	<b>4,204,574</b>	<b>4,213,818</b>	<b>4,073,845</b>

## BASE EXPENSE PROFILE

The City's 2017 General Fund budget includes \$4,073,534 in General Fund expenditures – just a 1.3% increase from the 2016 General Fund actual expenditures. General Fund expenditures support the City's government operations and basic services. **Figure 5 and Table 34** illustrate the allocation and categories of General Fund expenditures for 2016 by amount and percent of total expenses.

FIGURE 5: 2016 GENERAL FUND EXPENDITURES BY USE



SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Major Uses of General Fund Expenditures

In the General Fund, the City includes police and fire services, management and finance, zoning and code enforcement, tax collection, recreation, and public works. **Table 34** shows each General Fund expense by category and the percent of total expenses for 2016.

TABLE 34: 2016 GENERAL FUND EXPENDITURES BY PERCENT OF TOTAL

CATEGORY	EXPENDITURE	% OF TOTAL EXPENDITURES
EMPLOYEE/PENSION BENEFITS	\$1,009,684	24.8%
POLICE	\$891,179	21.9%
GARBAGE CONTRACT	\$540,596	13.3%
PUBLIC WORKS	\$348,714	8.6%
INSURANCE PREM	\$213,823	5.3%
STREET LIGHTING	\$208,634	5.1%
MISC. EXPENDITURES	\$205,197	5.0%
SALT & CINDERS	\$136,354	3.4%
LAW	\$127,908	3.1%
GEN BLDG/PLANT	\$95,570	2.3%
FINANCIAL ADMIN.	\$78,332	1.9%
TAX COLLECTION	\$58,902	1.4%
CITY CLERK/ADMIN	\$49,047	1.2%
COMMUNITY/DEV.	\$32,363	0.8%
HEALTH DEPT.	\$30,939	0.8%
FIRE DEPT.	\$25,003	0.6%
ROAD MATERIALS	\$6,622	0.2%
GEN. GOVT.	\$4,739	0.1%
DEBT SERVICE	\$3,057	0.1%
STREET SIGNS	\$966	0.0%
INTERFUND TRANSFER	\$502	0.0%
<b>TOTAL 2016 EXPENDITURES</b>	<b>\$4,068,144</b>	<b>100.0%</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

The employee benefit category, with 25% of the expenditures makes up the largest category with the police department, the garbage contract, and public works as the next largest categories.

**Table 35** provides an overview of City expenditures by category for fiscal years 2012 through 2016 and the budgeted amounts for 2017. Two of the largest expenditure categories, the employee benefit expense and the garbage contract, have increased since 2012 while a third category, the police department, has decreased. Total expenditures have decreased from about \$4.5 million to about \$4.1 million over the past 5 years at a rate of about 2.5% per year. This is a modest rate of reduction but is still an indicator that the City has had to trim staff and make serious cuts in order to stay within the revenue available for operating expenses.

TABLE 35: HISTORY OF CITY EXPENDITURES 2012- 2017

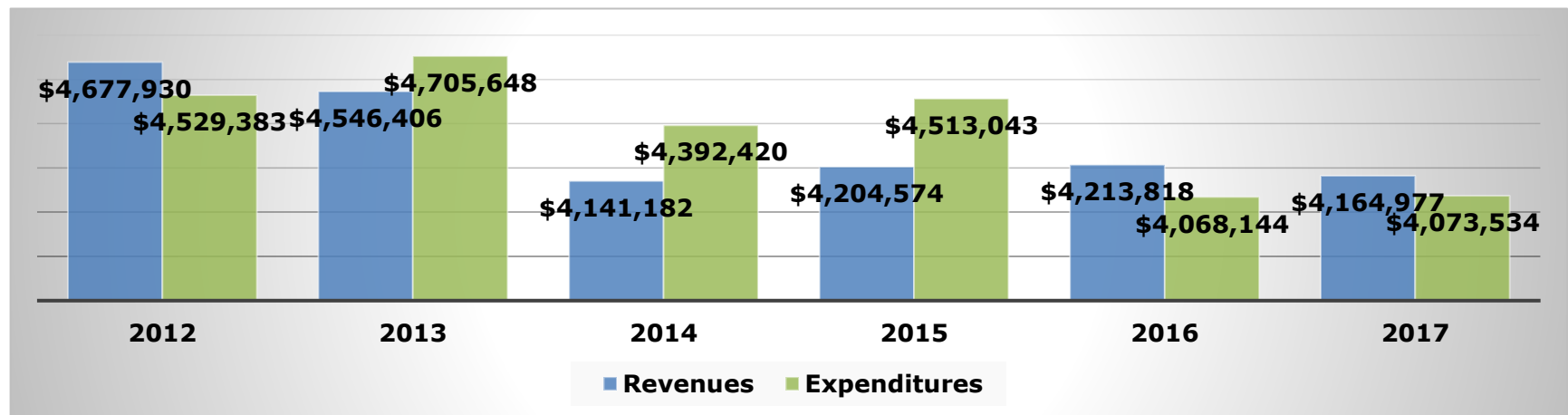
	2012	2013	2014	2015	2016	2017
EXPENDITURES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
GEN. GOVT.	14,397	11,266	11,201	6,462	4,739	11,200
EXECUTIVE	4,800	4,800	4,800	554	-	-
FINANCIAL ADMIN.	105,073	80,043	62,891	76,262	78,332	49,700
TAX COLLECTION	65,548	82,415	83,586	62,805	58,902	62,399
LAW	72,216	60,892	47,413	103,078	127,908	134,000
CITY CLERK/ADMIN	153,249	152,519	132,621	58,533	49,047	49,824
GEN BLDG/PLANT	155,856	164,445	154,440	116,446	95,570	100,330
POLICE	936,265	911,489	888,540	917,102	891,179	912,107
FIRE DEPT.	42,615	37,671	33,829	33,422	25,003	54,533
HEALTH DEPT.	45,603	41,407	37,126	25,036	30,939	30,100
GARBAGE CONTRACT	440,729	440,600	468,920	468,920	540,596	507,678
PUBLIC WORKS	4	13	140	116	13	100
PUBLIC WORKS	489,269	439,005	422,114	467,950	348,714	389,798
SALT & CINDERS	57,522	108,548	94,441	127,849	136,354	113,000
STREET SIGNS	3,415	131	1,081	358	966	1,000
STREET LIGHTING	176,172	177,935	179,253	196,151	208,634	212,697
ROAD MATERIALS	17,784	6,476	15,786	17,585	6,622	15,000
MMVTA CONTRIBUTION	2,976	0	3,125	3,864	0	3,125
COMMUNITY/DEV.	50,249	48,536	40,917	43,530	32,363	32,587

	2012	2013	2014	2015	2016	2017
EXPENDITURES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
DEBT SERVICE	5,918	4,667	3,272	4,231	3,057	5,000
MISC. EXPENDITURES	248,937	625,911	509,340	457,389	205,197	144,424
INSURANCE PREM	140,727	165,336	159,931	160,106	213,823	141,142
RETIREMENT/PENSION	1,044,349	1,164,908	1,157,677	1,165,292	1,009,684	1,103,792
INTERFUND TRANSFER	255,711	(51,256)	(120,023)	-	502	-
<b>TOTAL EXPENDITURES</b>	<b>4,529,383</b>	<b>4,705,648</b>	<b>4,392,420</b>	<b>4,513,043</b>	<b>4,068,144</b>	<b>4,073,534</b>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<b>148,547</b>	<b>(159,243)</b>	<b>(251,238)</b>	<b>(308,469)</b>	<b>145,674</b>	<b>91,442</b>

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS INC. ANALYSIS

**Figure 6** shows that the General Fund expenditures have exceeded General Fund revenue for three of the past five years. The highest deficit occurred in 2015 when expenditures exceeded revenues by over \$300,000. This was also the only year that the City did not show an Interfund Transfer.

FIGURE 6: GENERAL FUND REVENUE AND EXPENDITURE HISTORY (2012-2017)



SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

**Table 36** shows the total increase in dollars and percentages and average annual rate of increase or decrease from 2012 through 2016. The cumulative total decrease in expenditures averages 2.5% annually over the five-year period. The City has done a very good job of cost containment over the past five years. The only categories that increased significantly are legal services, garbage contract, insurances, and public works snow removal and street sign supplies.

TABLE 36: GENERAL FUND EXPENDITURES: RATE OF INCREASE

CATEGORY	INCREASE DOLLARS	AVG. ANNUAL % (+ OR -)
General Govt.	(9,658)	-22.8%
Executive	(4,800)	-47.1%
Financial Admin.	(26,741)	-5.3%
Tax Collection	(6,646)	-1.0%
Law	55,692	25.9%
City Clerk/Admin	(104,202)	-21.4%
Govt. Building/Plant	(60,286)	-10.8%
Police	(45,086)	-1.2%
Fire Dept.	(17,612)	-12.0%
Health Dept.	(14,664)	-7.1%
Garbage Contract	99,867	5.4%
Public Works	(140,555)	-7.2%
Salt & Cinders	78,832	29.4%
Street Signs	(2,449)	182.7%
Street Lighting	32,462	4.4%
Road Materials	(11,162)	7.3%
MMVTA Contribution	(2,976)	-
Community Development	(17,886)	-9.6%
Miscellaneous	(43,740)	16.9%
Insurances	73,096	12.0%
Employee Benefits	(34,665)	-0.4%

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Police Department

The police department was responsible for 22% of the City's General Fund expenditures in 2016. The City budgeted just over \$890,000 for police services in 2016 which supports the police chief, 9 full-time, and 10 part-time officers. Police expenditures steadily decreased by 1.2% per year between 2012 and 2016. This was a challenge since the cost of living overall went up by about 2.3% per year.

**Table 37** provides expenditure detail for wages and operations from 2012 through 2017. Police department wages, which make up 65% of the police department budget, have decreased for the past five years. Emergency overtime and billable overtime have increased since 2012.

TABLE 37: POLICE DEPARTMENT EXPENDITURES 2012-2017

	2012	2013	2014	2015	2016	2017
POLICE DEPARTMENT	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
410.130 · Salaries	586,988	590,595	566,122	595,189	577,297	571,113
410.131 · Longevity	59,603	53,666	44,512	40,595	36,886	38,132
410.132 · Court Wages	5,950	6,782	5,379	6,561	3,765	5,000
410.133 · Hearing Wages	7,170	9,529	7,849	4,959	6,392	7,000
410.134 · Emergency Overtime	23,442	21,895	43,108	36,566	34,996	30,000
410.137 · Billable Overtime	8,357	9,443	15,291	3,280	21,947	15,000
410.138 · Holiday Pay	9,202	8,227	7,162	7,929	6,460	7,500
410.139 · Holidays Worked	21,291	22,045	21,007	22,419	16,250	20,000
410.140 · Part-time Police	60,472	64,041	63,529	71,715	92,833	70,000
410.141 · School Guards	17,781	18,341	20,686	21,946	20,206	21,000
410.142 · Meter Maid	11,151	7,892	7,221	7,274	8,360	9,000
410.143 · Shift Differential	8,256	7,680	7,536	7,760	7,440	7,500
410.144 · Sick Leave Buy Back	1,949	3,559	2,337	2,010	939	1,000
410.145 · Guard Uniforms	483	307	859	-	172	300
410.146 · Canine Maintenance	10,500	10,920	10,500	11,340	6,090	6,000
410.191 · Police Uniforms	4,813	9,092	11,663	10,295	7,994	8,000
410.209 · Ammunition	275	320	275	1,762	800	3,000
410.210 · Office Supplies	3,824	3,028	5,158	8,903	3,870	5,000

	2012	2013	2014	2015	2016	2017
POLICE DEPARTMENT	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
410.211 · Meter Supplies	177	940	527	1,385	134	1,000
410.251 · R & M Police Cars	29,474	20,874	18,811	10,675	18,673	15,000
410.269 · Police Car	29,510	14,174	-	12,025	12,025	12,025
410.316 · Computer Service	3,638	4,015	3,385	4,472	4,722	6,000
410.331 · Travel Expenses	789	832	734	1,476	57	500
410.342 · Printing Expenses	609	2,632	-	-	303	1,500
410.352 · Liability Insurance	17,099	16,830	17,808	23,218	963	22,530
410.461 · Education Training	891	877	2,101	3,350	1,605	4,000
<b>Total Expenditures</b>	<b>936,265</b>	<b>911,489</b>	<b>888,540</b>	<b>917,102</b>	<b>891,179</b>	<b>887,400</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Public Works

The Public Works department provides the maintenance of the streets, parks, and facilities in the City. The Public Works department makes up 8.6% of the total operating budget. Expenditures for 2016 were \$348,714 with wages being the largest expenditure. Notably, wages have decreased significantly since 2012 but a small increase was written into the 2017 budget. **Table 38** provides the detailed expenditures for the public works department.

TABLE 38: PUBLIC WORKS GENERAL SERVICES DETAILED EXPENDITURES 2012-2017

	2012	2013	2014	2015	2016	2017
PUBLIC WORKS DEPARTMENT	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
430.130 · Salaries	279,362	287,878	285,619	259,673	214,526	236,945
430.131 · Longevity	6,800	7,300	6,000	6,000	6,900	6,900
430.134 · Emergency Overtime	10,553	23,161	21,731	16,227	17,250	17,500
430.144 · Sick Leave Buy Back	7,406	1,505	2,564	2,458	2,056	2,500
430.256 · Materials, R & M	130,676	86,439	56,858	44,908	31,902	50,000
430.261 · New Equipment	0	7,550	-	-	2,156	6,000
430.313 · Engineering Service	54,472	24,971	49,342	135,837	73,924	80,000
<b>Total Public Works Department</b>	<b>489,269</b>	<b>439,005</b>	<b>422,114</b>	<b>467,950</b>	<b>348,714</b>	<b>399,845</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS



## Garbage Contract

The City's garbage contract is one of its largest expenditure categories. Expenditures for the contract have increased steadily since 2012. In 2016, the City paid carry over bills from 2015 for garbage services. In 2017, the budget reflects only those expenditures associated with 2017. **Table 39** provides a history of these expenditures.

TABLE 39: GARBAGE CONTRACT EXPENDITURES 2012-2017

	2012	2013	2014	2015	2016	2017
GARBAGE CONTRACT EXPENDITURES	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
427.453 · Garbage Contract	440,729	440,600	468,920	468,920	540,596	507,678
<b>Total Garbage Contract</b>	<b>440,729</b>	<b>440,600</b>	<b>468,920</b>	<b>468,920</b>	<b>540,596</b>	<b>507,678</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Employee Benefits

Employee Benefits make up the largest category in the City's expenditures. Although they decreased slightly in 2016, they are expected to increase in the 2017 budget. **Table 40** provides the history of employee benefits.

TABLE 40: EMPLOYEE BENEFITS 2010-2015

	2012	2013	2014	2015	2016	2017
EMPLOYEE BENEFITS	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
487.151 · W.C. Insurance	98,872	117,344	121,208	143,286	126,395	132,000
487.153 · M.M.O. Non-Uniform	52,475	58,767	58,907	49,634	41,738	52,000
487.154 · M.M.O. Police	245,854	292,522	276,090	276,263	232,385	294,954
487.155 · M.M.O. Fire Department	16,425	16,425	23,928	23,928	13,200	13,200
487.156 · Hosp/65S/Dental/Rx	437,041	471,163	463,553	468,693	405,441	425,000
487.157 · Healthcare Debit Cards	97,113	113,248	120,780	122,434	116,732	125,000
487.158 · Life Insurance	6,651	7,029	9,260	10,272	8,937	10,000
487.161 · FICA Employer	58,965	58,208	56,538	47,842	43,225	45,000
487.162 · Unemployment Comp.	17,164	16,588	14,190	11,751	11,522	18,000
487.163 · FICA Medicare	13,790	13,613	13,223	11,189	10,109	12,000
<b>Total Employee Benefits</b>	<b>1,044,349</b>	<b>1,164,908</b>	<b>1,157,677</b>	<b>1,165,292</b>	<b>1,009,684</b>	<b>1,127,154</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Sewer Fund

The City collects and pays line usage fees to the sanitary sewer authority. There is also an extra charge assessed for the repair and upgrade of sewage lines as necessary. The sewer authority collects this fee and remits it to the City and it is recorded in a separate fund. The City works with the City Engineer to develop programs and projects that are supported by this fund. **Table 41** provides an overview of the revenues and expenditures associated with this fund from 2012 through 2017 and the budget for 2017.

TABLE 41: SEWER FUND LINE USAGE REVENUES AND EXPENDITURES 2012-2017

<b>Revenue:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
PENNVEST					218,317	-
MISC.	4,140	4,320	3,864	140,131	3,528	4,000
LINE USAGE FEE	1,570,239	398,446	318,335	341,964	291,726	525,000
NEW BANK ACCOUNT	-	-	-	44,564	-	-
<b>Total Revenue</b>	<b>1,574,380</b>	<b>402,766</b>	<b>322,199</b>	<b>526,658</b>	<b>513,571</b>	<b>529,000</b>
<b>Expenditures:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
UNSEWERED LINE USAGE	-	-	-	-	-	-
LINE USAGE EXPENSE	1,639,300	401,319	133,771	517,894	446,986	491,000
TRANSFER TO NEW BANK	-	-	-	44,564	-	-
INTERFUND TRANSFERS	-	-	62,700	250	80,000	38,000
BANK SERVICE CHARGES	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,639,300</b>	<b>401,319</b>	<b>196,471</b>	<b>562,708</b>	<b>526,986</b>	<b>529,000</b>
<b>DIFFERENCE</b>	<b>(64,921)</b>	<b>1,446</b>	<b>125,728</b>	<b>(36,050)</b>	<b>(13,415)</b>	<b>-</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Debt Service Fund

Debt service is recorded in a separate fund, supported by a special levy. Real estate taxes are collected and distributed based on the millage rate that is set by Council. Currently, the City collects \$52,000 per mill and the current debt service requires 9.2 mills of real estate tax. The largest payments are for a 2010 General Obligation Bond in the amount of \$5 million at 5.5% and a 2012 General Obligation Bond in the amount of \$2.5 million at 4%. At the end of 2016, approximately \$6,975,000 was still outstanding. Over the past several years, the debt service payments have exceeded the amount distributed to the debt service fund.

TABLE 42: DEBT SERVICE FUND REVENUES AND EXPENDITURES 2012 - 2017

<b>Revenue:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
REAL ESTATE TAX-CURRENT	297,704	374,067	425,983	471,004	431,750	478,500
INTEREST	(60)	-	-	-	-	-
NEW BANK ACCOUNT				280,460	-	-
<b>Total Revenue</b>	<b>297,644</b>	<b>374,067</b>	<b>425,983</b>	<b>751,464</b>	<b>431,750</b>	<b>478,500</b>
<b>Expenditures:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
LOAN PAYMENT	345,073	411,713	469,214	499,524	466,408	478,433
BANK FEES					40	
INTERFUND TRANSFER	-	-	30,000	280,460	-	-
<b>Total Expenditures</b>	<b>345,073</b>	<b>411,713</b>	<b>499,214</b>	<b>779,984</b>	<b>466,448</b>	<b>478,433</b>
<b>DIFFERENCE</b>	<b>(47,429)</b>	<b>(37,646)</b>	<b>(73,231)</b>	<b>(28,520)</b>	<b>(34,698)</b>	<b>67</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

**City Parks Fund**

TABLE 43: CITY PARKS FUND REVENUES AND EXPENDITURES 2012 - 2017

<b>REVENUE:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
REAL ESTATE TAX - CURRENT	218,978	222,730	180,980	207,806	211,537	188,000
CITY PARK PERMITS	3,500	6,480	3,050	2,400	5,600	5,400
GRANT FUNDS				82,391	-	-
<b>TOTAL REVENUE</b>	<b>222,478</b>	<b>229,210</b>	<b>184,030</b>	<b>292,598</b>	<b>217,317</b>	<b>193,400</b>
<b>EXPENDITURES:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
PARK EMPLOYEE WAGES	-	-	15,126	146,279	139,162	142,641
SUPPLIES	3,785	4,480	909	1,131	1,718	1,500
GASOLINE	3,085	3,890	960	765	756	1,500
TELEPHONE	441	600	474	599	369	600
ELECTRIC	6,553	8,262	6,228	8,208	11,716	10,000
WATER & SEWAGE	4,621	4,261	4,930	7,142	6,540	5,000
R & M - VEHICLES	1,394	26,063	69	41	106	1,000
R & M - EQUIPMENT	10,343	3,328	7,744	983	1,908	2,500
R R CROSSING	5,711	9,081	9,278	9,278	9,288	12,400
PARK RENOVATIONS	33,665	29,364	9,881	16,090	18,250	-
PORTAJOHNS RENTALS					5,587	5,727
TRANSFER TO NEW BANK	-	-	-	82,391	-	-
INTERFUND TRANSFER	(5,711)	40,000	(2,600)	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>69,507</b>	<b>129,331</b>	<b>52,999</b>	<b>272,908</b>	<b>195,400</b>	<b>182,868</b>
<b>DIFFERENCE</b>	<b>152,971</b>	<b>99,879</b>	<b>131,031</b>	<b>19,690</b>	<b>21,917</b>	<b>10,532</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

**Table 43** provides detailed information about the City parks fund. This fund is primarily supported by a special levy of 3.62 mills of real estate tax. Expenditures from this fund include park employee wages, utilities, repairs, and maintenance of the City parks. This fund, for the most part, is self-sustaining as long as the real estate taxes continue to be distributed at this rate.

### Health Center Fund

The Health Center Fund records the rents and other revenue collected relative to the City Building and the expenditures associated with the upkeep and maintenance of the building. From 2012–2014, this fund was self-sustaining primarily because staff salaries for the maintenance of the building were not reported. When staff salaries were considered, the fund experienced an excess of expenditures over revenues. The City recently made a decision to abandon the Health Center Building and to relocate its offices to a smaller location that will be less costly to maintain. The sale of the Health Center Building in 2017 will produce some capital funds for the City and should result in lower annual expenditures. **Table 44** provides a five-year history of this fund.

TABLE 44: HEALTH CENTER FUND REVENUES AND EXPENDITURES 2012 - 2017

REVENUE:	2012 ACTUAL	2013 ACTUAL	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 BUDGET
SPACE RENTAL - EASTGATE 8	236,912	172,898	152,669	117,513	124,623	125,000
SPACE RENTAL - EASTGATE 11	13,261	20,166	14,281	10,007	-	-
SPACE RENTAL - STORAGE UNITS	4,710	3,990	5,770	3,560	2,050	2,200
POSTAGE INCOME	-	-	-	-	-	-
TELEPHONE INCOME	1,800	1,800	1,950	1,800	1,650	1,600
VENDING MACHINE INCOME - 8	-	-	-	-	423	500
INSURANCE REIMBURSEMENT	-	-	-	-	-	-
NEW BANK ACCOUNT	-	-	-	7,418	-	-
MISC. INCOME - EASTGATE 8	308	-	-	-	30,000	130
MISC. INCOME - EASTGATE 11	8	-	-	-	104	107
DONATIONS	-	-	-	-	-	-
INTERFUND TRANSFERS	-	-	-	-	46,615	-
<b>TOTAL REVENUE</b>	<b>257,000</b>	<b>198,854</b>	<b>174,670</b>	<b>140,298</b>	<b>205,465</b>	<b>129,537</b>

<b>EXPENDITURES:</b>	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 ACTUAL</b>	<b>2015 ACTUAL</b>	<b>2016 ACTUAL</b>	<b>2017 BUDGET</b>
OFFICE SUPPLIES	168	-	614	-	172	200
BLDG./MAINTENANCE SUPPLIES	7,310	6,040	18,403	12,674	4,904	5,500
BLDG./MAINTENANCE SUPPLIES	11	8	188	562	-	-
TELEPHONE	4,958	3,750	2,202	4,137	4,091	4,500
TELEPHONE - EQUIP MTCE.	8,380	12,111	6,009	15,092	9,200	11,500
SECURITY MONITORING SERVICE	1,178	1,175	1,379	1,248	1,292	1,250
GASOLINE/OIL - VEHICLES	941	446	637	302	268	
ELECTRICITY	75,077	67,742	53,151	60,884	52,294	55,000
ELECTRICITY	11,419	14,533	8,130	5,584	1,616	
NATURAL GAS	9,775	17,539	17,264	18,125	9,454	11,000
NATURAL GAS	1,396	407	623	752	937	
SEWAGE	6,000	8,959	6,636	4,666	7,597	6,000
SEWAGE	408	1,340	542	499	155	
WATER	3,863	5,530	4,735	4,518	5,500	6,000
WATER	1,326	1,712	1,584	1,683	321	
REFUSE COLLECTION	155	-	78	62	-	-
FACILITY R & M	16,442	6,832	-	4,068	5,687	4,500
FACILITY R & M	5,670	527	-	-	-	-
EQUIPMENT R & M	11,344	11,292	4,544	5,988	1,431	2,000
FACILITY MAJOR RENOVATIONS	8,950	9,547	-	-	-	-
LEGAL FEES	1,697	1,532	1,990	10,113	1,917	2,500
STAFF SALARIES	-	-	22,646	26,861	-	32,350
INSURANCE DAMAGES					29,814	
INTERFUND TRANSFER	-	-	(100)	(250)	30,883	31,655
<b>TOTAL EXPENDITURES</b>	<b>186,437</b>	<b>172,768</b>	<b>151,978</b>	<b>185,022</b>	<b>168,397</b>	<b>173,955</b>
<b>DIFFERENCE</b>	<b>70,563</b>	<b>26,086</b>	<b>22,692</b>	<b>(44,724)</b>	<b>37,068</b>	<b>(44,418)</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Pension Funds

The police and firefighters' pension plans are defined benefit plans and are governed by the Third Class City Code and Act 205, the Pension Standard and Recovery Act. The non-uniform plan is a defined contribution pension plan that has an annual contribution calculation that is prepared by the pension administrator and custodian, VOYA. The non-uniform plan is supported by employee contributions at the rate of 8% of compensation with additional contributions deposited by the City. The contributions by the City to the non-uniform plan are shown in **Table 45** and the contributions to the police plan in **Table 46**.

TABLE 45: PENSION CONTRIBUTIONS TO NON-UNIFORM DEFINED CONTRIBUTION PLAN 2013-2017

<b>Non-Uniform Pension Plan</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
City of Monessen Contribution	58,767	58,907	49,634	41,738	52,000

AUDITED FINANCIAL STATEMENTS AND CITY OF MONESSEN FINANCIAL REPORTS 2013-2017

The police defined benefit pension plan has 10 active members who contribute 4.5% of compensation and 21 retirees receiving benefits. As of 2015, the police pension fund had assets of approximately \$3.7 million and unfunded liability of approximately \$5.5 million resulting in about a 68% net funding position for the Plan. This plan is determined to be "moderately" distressed by the PA auditor general.

TABLE 46: PENSION CONTRIBUTIONS TO POLICE DEFINED BENEFIT PLAN 2013-2017

<b>Police Pension Plan</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Financial Requirement	324,366	302,578	302,818	261,081	321,602
Employee Contributions	31,844	26,488	26,555	28,696	26,648
State Aid	155,374	135,544	141,150	166,237	169,000
City of Monessen	137,148	140,546	135,113	66,148	125,954
MMO	292,522	276,090	276,263	232,385	294,954

AUDITED FINANCIAL STATEMENTS AND CITY OF MONESSEN FINANCIAL REPORTS 2013-2017

As of 2015, there were no active firefighter employees and only two retirees that were drawing pension benefits. Assets were approximately \$317,000 and there was an unfunded liability of approximately \$105,000 resulting in about a 75% funding for the Plan. The City contributes approximately \$13, 200 based on the actuarial calculation for the funding requirement necessary for this plan.

The City's total contribution to the 3 plans is about \$190,000 which is equal to 3.65 mills of tax. In addition to pension fund obligations, the City has a \$6 million unfunded actuarial liability for post-retirement healthcare benefits for retirees. The City is currently on a "pay as you go" system for providing this benefit.

## **EXPENDITURE OUTLOOK**

**The City, of necessity, has made substantial cuts in staff and services in order to reflect decreasing revenues. Reductions in expenditures have averaged 2.5% per year.** Even with staff and service reductions, the City has experienced deficits in three of the past four years. The City was able to turn this around somewhat in 2016 by further reducing staff and expenses. In 2017, the City adopted a conservative budget that continued to hold the line on positions and expenditures. It will be important for the City to analyze whether departments are able to keep up with the level of service necessary with their current budgets and investigate other potential sources for maintaining and expanding the revenue base. Step IV of the EIP process will address the potential for reducing costs and increasing effectiveness in the various department areas.

**The City currently pays about \$478,000 in annual debt service. This debt may be available for refunding at a lower rate that could result in cash reserves being available to the City.** The City is working with the Solicitor and an investment banker to analyze and restructure the current debt which is mostly in the form of General Obligation bonds that total approximately \$6.9 million. This should provide some cash reserves and reduce the City's debt obligations for 2017. Currently the City must budget about 9 mills of taxes to support the debt service payments. About 10% of the City's revenue is dedicated for this purpose which is at the maximum of what is recommended by the Governmental Finance Officers' Association (GFOA).

**One of the largest expenditures for the City is and will continue to be for retiree pension benefits at \$190,000 annually. This equates to 3.65 mills of taxes.** This commitment to the police, fire, and non-uniform employees is typical for cities of the Third Class and will continue to be a burden in future years as more employees are moved to retirement status and fewer active employees contribute to the plans. The plans are categorized as "minimally distressed" by the PA auditor general.

**The departments that are increasing at the highest rates of increase are legal and engineering and insurances.** The City will have to find a way to manage increasing expenditures for professional services in order to achieve positive fund balances in the future.



## STEP II: FINANCIAL TREND ANALYSIS

A financial forecast provides a long-term view of a local government's financial condition. Step II of the EIP planning process includes the development of a multiyear revenue and expenditure forecast to help the City evaluate its long-term financial position. The ICMA recommends that municipalities prepare a five-year financial forecast as a precursor to preparing their annual budget. This financial trend analysis is not intended to provide the level of detail that could be used to construct a municipality's annual budget. The purpose of this analysis is to project future revenue, expenditure, economic, and demographic trends for the years 2017 through 2021 so that the City can review its future financial position and take steps to counteract any negative trends. A key focus of the analysis is the identification of potential gaps between projected revenues and expenditures and recommendations for measures that could be taken by the City to balance future budgets.

The base year for the financial trend analysis is the 2016 fiscal year because that year best reflects current levels of service and activity. This base year is an accurate reflection of the revenues and expenses because it is derived from the 2016 actual revenues and expenses. The analysis assumes that the base year rates and levies will be maintained in future years.

### Step 2 Financial Trend Analysis

The purpose of this analysis is to project future revenue, expenditures, economic, and demographic trends for the years 2017 through 2021 so that the City can review its future financial position and take steps to counteract any negative trends.

## PROJECTIONS 2017 – 2021

The General Fund balance is the net worth of a fund when considering its assets and its liabilities. A review of the audited financial statements for the City indicates that the City has steadily decreasing revenues but consistent expenditures that are about \$4 million per year. **Table 47** shows the history of the City's audited revenue and expenses since 2011 and reveals the negative core operating position of the City in recent years. In 2016, the City was able to recover some of the ground that it lost in prior years – but it is obvious from this review that the City was barely generating enough revenue to meet current obligations in all of the years that were reviewed. In fact, any extraordinary expense or negative impact on revenue was enough to tip the balance to a deficit balance.

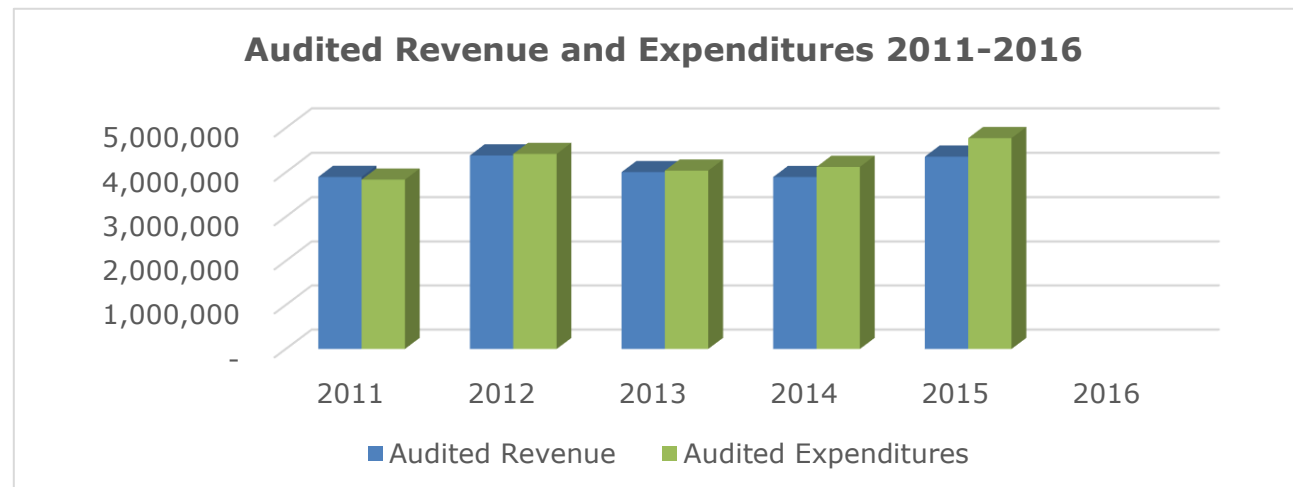
TABLE 47: AUDITED NET CHANGES IN ASSETS AND FUND BALANCES 2011-2016

Year	BEG Balance	Revenues	Expenses	Transfer In	Transfer Out	END Balance
<b>2011</b>	33,126	3,896,201	3,829,424	-	(5,618)	94,285
<b>2012</b>	94,285	4,381,606	3,902,093	-	(512,302)	61,496
<b>2013</b>	61,496	4,004,988	3,998,650	-	(40,569)	27,265
<b>2014</b>	27,265	3,875,148	3,979,923	19,700	(141,673)	(199,483)
<b>2015</b>	(199,483)	4,353,492	4,593,494		(176,826)	(616,311)
<b>2016</b>	(616,311)					

SOURCE: CITY OF MONESSEN AUDITED FINANCIAL STATEMENTS, 2011-2016

Based on the fund balance method and the review of excess of revenue over expenditures for the past five years, it is apparent that the City has not always had sufficient revenue to support its operation. A graphic depiction of the gap between operating revenue and operating expenses between 2011 and 2016 is shown in **Figure 7** below. Since 2011, the City has not been able to keep its expenditures below its revenues.

FIGURE 7: HISTORY OF AUDITED FUND BALANCES 2011-2016



SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## **BASELINE FINANCIAL PROJECTIONS: 2017 – 2021**

The baseline financial projections provide an estimate of where the City will likely be from 2017 to 2021 if no changes are made. The projections assume that the current City operation will remain in place and that there will be no changes in tax rates and fees.

### **Key Findings**

- Without millage increases or increased property values, real estate tax revenues are expected to remain flat or decline slightly.
- Moderate growth in Act 511 collections and increased state aid for the pension fund is driving the rising revenue projections.
- Expenses are likely to increase at a higher rate than revenues in future years.
- Increases in police, public works, and the garbage contract are driving the rising expenses.
- Although, the current revenue is sufficient to support basic operations, by 2021 the City will experience a deficit in the general fund budget without a combination of new revenues and cost controls.
- The rising costs in future years will reduce or eliminate any reserves that are currently available for capital improvements and investments in the business district, neighborhoods, and parks.

## **REVENUE FORECAST**

The Revenue forecast projections include years 2017 through 2021. **Table 48** provides a complete summary of the revenue projections for 2017 through 2021.

TABLE 48: REVENUE PROJECTIONS 2017-2021

<b>Year</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Difference</b>
2017	4,164,977	4,073,534	91,442
2018	4,216,872	4,160,339	56,534
2019	4,267,337	4,248,569	18,768
2020	4,319,288	4,344,827	(25,539)
2021	4,364,859	4,443,078	(78,219)

SOURCE: CITY OF MONESSEN FINANCIALS AND GRS ANALYSIS

It is assumed that revenues will continue to increase at the rate of 1.2% per year. Because it is expected that expenditures will increase faster than revenue at 2.2%, the fund balance is expected to be slowly depleted eventually making less funds available for operations and for capital projects and infrastructure investment.

### Forecast Assumptions

The following assumptions were used to provide the baseline revenue projection:

#### Real Estate Taxes

It is assumed that the 2017 real estate tax rate of 37.43 mills for the general fund will remain in effect through 2021 and that the assessed valuations for taxation purposes will follow past trends and remain relatively stable.

Current collections are projected to remain at the 2017 budgeted level and the collection rate will continue at about 89%. Delinquent tax collections are dependent, in part, on the number of delinquencies to be collected. In Monessen, delinquent collections are a significant factor because the collection rate for current year is below the average collection rate for municipalities of 90-95%.

Three factors could change the projections: a change in the tax rate, a change in the taxable assessments, or a change in the tax collection effort. **Table 49** provides the projections for real estate collection through 2021. It is assumed that this collection will remain flat without any increase in the millage rate.

TABLE 49: PROJECTED REAL ESTATE TAX REVENUE 2017-2021

		2017	2018	2019	2020	2021
		PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	REAL ESTATE TAXES-301	37.43 mills	37.43 mills	37.43 mills	37.43 mills	37.43 mills
01.301.10	REAL ESTATE-CURRENT	1,279,090	1,279,090	1,279,090	1,279,090	1,279,090
01.301.20	REAL ESTATE PRIOR	3,500	3,500	3,500	3,500	3,500
01.301.30	DEL RE TAX PENALTY	1,500	1,500	1,500	1,500	1,500
01.301.40	TAX CLAIM BUREAU	165,000	165,000	165,000	165,000	165,000
	<b>Total Real Estate Taxes</b>	<b>1,410,550</b>	<b>1,410,550</b>	<b>1,410,550</b>	<b>1,410,550</b>	<b>1,410,550</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS GRS ANALYSIS

**Act 511 Taxes****EARNED INCOME TAX**

EIT revenues were \$586,481 in 2016. It is assumed that they will increase as personal income increases at a rate of about 2% per year.

**REAL ESTATE TRANSFER TAX**

The City receives .5% of the sale price on every sale of property where a deed is transferred. This kind of revenue can increase suddenly with major sales but is subject to the market and is not predictable.

**BUSINESS PRIVILEGE TAX**

The City levies 1 mill of tax on mercantile wholesale, 1.5 mill of tax on mercantile retail. If new businesses are recruited to the City, this tax revenue could increase. Projections assume an increase of 2% per year.

**LOCAL SERVICES TAX**

The City levies this tax at \$52, which is the maximum rate. This tax is levied on individuals who work in the City and make more than \$12,000 per year. Since the City is already at the maximum rate, there is no opportunity to significantly increase this collection unless additional employees are attracted to City establishments.

TABLE 50: PROJECTED ACT 511 TAX REVENUE 2017-2021

<b>ACT 511 TAXES-310</b>		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
		<b>PROJECTED</b>	<b>PROJECTED</b>	<b>PROJECTED</b>	<b>PROJECTED</b>	<b>PROJECTED</b>
01.310.10	REAL ESTATE TRANSFER TAX	33,500	33,500	33,500	33,500	33,500
01.310.021	EARNED INC TAX-CURR YEAR	601,143	616,172	631,576	647,365	663,549
01.310.031	MERCANTILE TAX-CURR YEAR	29,491	30,081	30,683	31,296	31,922
01.310.041	LST TAX	78,887	78,610	78,887	78,610	78,887
	<b>Total Act 511 Taxes</b>	<b>743,021</b>	<b>758,363</b>	<b>774,646</b>	<b>790,772</b>	<b>807,859</b>

## Licenses and Permits

### CABLE TELEVISION FRANCHISE FEE

Most of the revenue shown in this category is the Cable TV Franchise Fee. It is assumed that the fee will increase at a rate of about 2% per year as cable charges increase.

TABLE 51: PROJECTED LICENSE AND PERMIT REVENUE 2017-2021

LICENSES AND PERMITS		2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.320.03	PLUMBERS LICENSE	1,800	1,800	1,800	1,800	1,800
01.320.04	BUILDING PERMITS	10,000	10,000	10,000	10,000	10,000
01.320.05	DEMOLITION PERMITS	3,000	3,000	3,000	3,000	3,000
01.320.06	SEWERS TAP IN	500	500	500	500	500
01.320.07	MERCANTILE MACHINES	30,000	30,000	30,000	30,000	30,000
01.320.08	SOLICITING PERMITS	500	500	500	500	500
	<b>Total Licenses &amp; Permits</b>	<b>45,800</b>	<b>45,800</b>	<b>45,800</b>	<b>45,800</b>	<b>45,800</b>
	<b>CABLE TV FEES</b>					
01.321.08	CABLE TV FEES	141,928	144,766	147,662	150,615	153,627
	<b>Total Cable TV Fees</b>	<b>141,928</b>	<b>144,766</b>	<b>147,662</b>	<b>150,615</b>	<b>153,627</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

## Fines

The revenue from fines has fluctuated since 2012 and is currently at only \$46,700 annually. For this reason, it is assumed that fines will remain flat through 2021. More aggressive enforcement and collection could increase this revenue as well as continued leadership in the police department.

TABLE 52: PROJECTED FINES AND FORFEITS 2017-2021

FINES -331		2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.331.01	COUNTY COURT FINES	4,000	4,000	4,000	4,000	4,000
01.331.011	MAGISTRATE FINES	26,000	26,000	26,000	26,000	26,000
01.331.012	MAG CODE ENFORCE.	1,500	1,500	1,500	1,500	1,500

	<b>FINES -331</b>	<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.331.013	STATE POLICE FINES	3,500	3,500	3,500	3,500	3,500
01.331.014	TICKET FINES	15,000	15,000	15,000	15,000	15,000
	<b>Total Fines</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Intergovernmental Revenues

Intergovernmental revenues are consistent and predictable. These revenues include ongoing revenues such as Marcellus Shale Act 13 payments, the public utility realty tax, fire association relief, pension state aid, and Act 147 pension COLA fees. These shared revenues are derived from dedicated state taxes and are divided among local governments and the state. It is assumed that these revenues will increase slightly over the next five years. Most of the increase comes from the projected increase in pension aid.

TABLE 53: PROJECTED INTERGOVERNMENTAL REVENUES 2017-2021

	<b>INTERGOVERNMENTAL FUNDS - 355</b>	<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.355.009	MARCELLUS SHALE	15,000	15,000	15,000	15,000	15,000
01.355.01	PUBLIC UTILITY TAX-ST.AID	3,500	3,500	3,500	3,500	3,500
01.355.04	ALCOHOL BEV TAX	2,800	2,800	2,800	2,800	2,800
01.355.06	PENSION STATE AID	169,562	172,953	176,412	179,940	183,539
01.355.061	ACT 147 COLA	2,250	2,250	2,250	2,250	2,250
01.355.071	VOL FIRE DEPT.	34,155	34,838	35,535	36,245	36,970
	<b>Total Intergovernmental</b>	<b>227,266</b>	<b>231,341</b>	<b>235,497</b>	<b>239,736</b>	<b>244,059</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Charges for Services

These are primarily fees for services provided by the City. The City does not levy many fees for City services and, as a result, this is not a major source of revenue. It is assumed that the level of services and the fees will not change. However, changes in the service provided and the fees that are charged for the services could increase these revenues and should be considered.

TABLE 54: GENERAL GOVERNMENT REVENUES 2017-2021

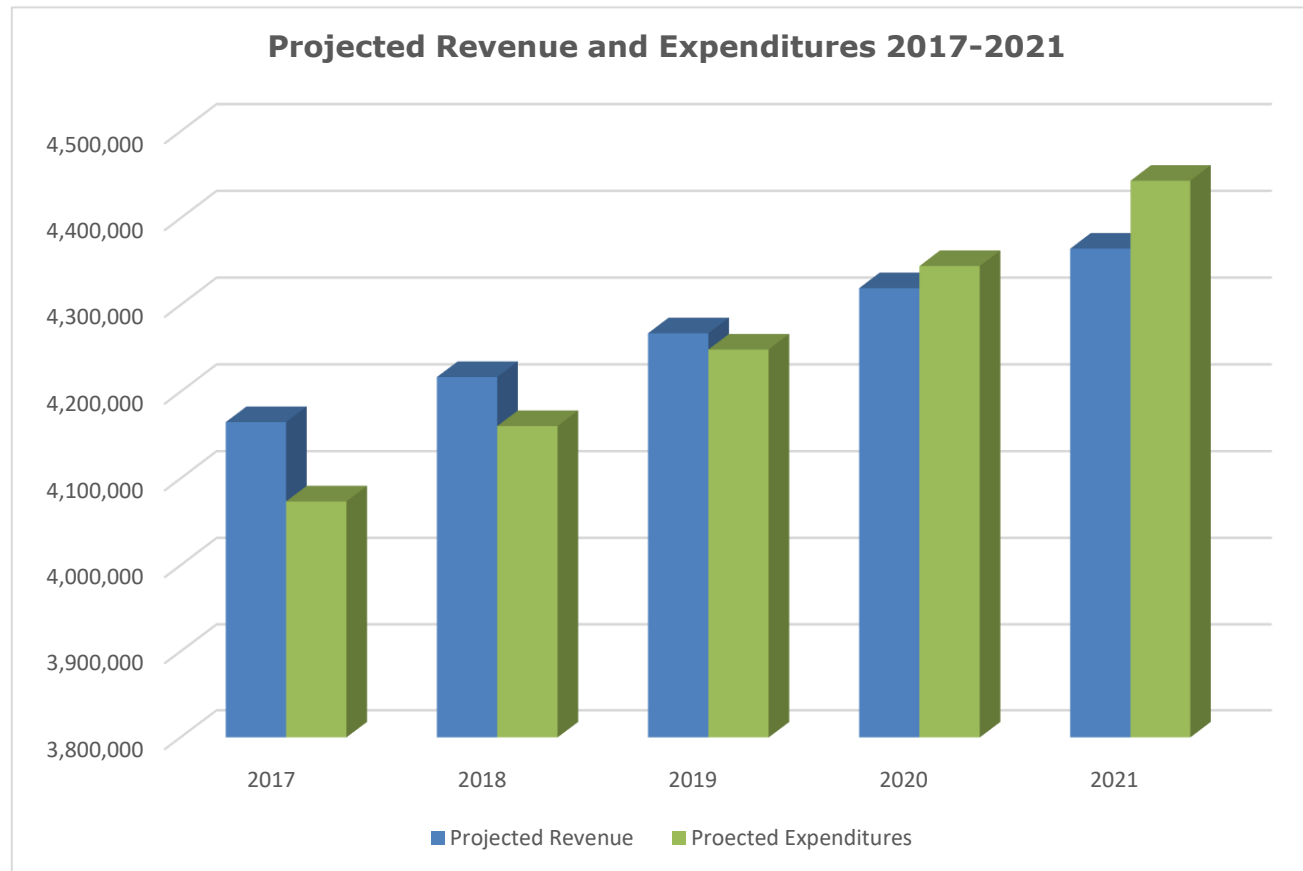
GENERAL GOVERNMENT		2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.361.04	ZONING FILING FEE	-	-	-	-	-
01.361.06	MUNICIPAL LIEN LETTERS	13,311	13,577	13,849	14,126	14,408
01.361.065	TAX CERTIFICATION	17,979	18,428	18,889	19,361	19,845
<b>Total 360 – Charges for Services</b>		<b>31,290</b>	<b>32,005</b>	<b>32,737</b>	<b>33,487</b>	<b>34,253</b>
<b>01.362</b>	<b>PUBLIC SAFETY - 362</b>					
01.362.011	POLICE REPORTS	3,000	3,000	3,000	3,000	3,000
01.362.016	LOCK-UP FEES	10,000	10,000	10,000	10,000	10,000
01.362.017	EAT & DRINK LICENSE	1,000	1,000	1,000	1,000	1,000
01.362.018	SIGN PERMITS	1,500	1,500	1,500	1,500	1,500
01.362.020	HEALTH INSPECTIONS	1,500	1,500	1,500	1,500	1,500
01.362.045	OCCUPANCY PERMITS	10,000	10,000	10,000	10,000	10,000
01.362.046	LANDLORD FEE	15,000	15,000	15,000	15,000	15,000
01.362.049	FIREWORKS PERMIT	2,000	2,000	2,000	2,000	2,000
	<b>Total Public Safety</b>	<b>44,000</b>	<b>44,000</b>	<b>44,000</b>	<b>44,000</b>	<b>44,000</b>
<b>01.363</b>	<b>HIGHWAYS &amp; STREETS - 363</b>					
01.363.021	METER RESERVATIONS	19,000	19,000	19,000	19,000	19,000
01.363.022	ON-STREET PARKING	14,000	14,000	14,000	14,000	14,000
01.363.023	OFF-STREET PARKING PERMITS	12,000	12,000	12,000	12,000	12,000
<b>01.363.024</b>	OFF-STREET PARKING METERS	5,500	5,500	5,500	5,500	5,500
	<b>Total Highways &amp; Streets</b>	<b>50,500</b>	<b>50,500</b>	<b>50,500</b>	<b>50,500</b>	<b>50,500</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

As shown in **Figure 8**, the total revenue is expected to increase slowly over the next five years but will eventually (beginning in 2020) no longer be sufficient to support operating expenses.



FIGURE 8: PROJECTED REVENUE AND EXPENDITURES 2017-2021



**EXPENDITURE FORECAST**

**Table 55** provides a summary of the projected expenditures for 2017 through 2021.

TABLE 55: SUMMARY EXPENDITURE PROJECTIONS 2017-2021

<b>EXPENDITURES</b>	<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
TOTAL GEN. GOVT.	11,200	11,200	11,200	11,200	11,200
TOTAL FINANCIAL ADMIN.	49,700	49,734	49,768	49,803	49,838
TOTAL TAX COLLECTION	62,399	62,885	63,376	63,872	64,373
TOTAL LAW	134,000	134,000	134,000	134,000	134,000
TOTAL CITY CLERK/ADMIN	49,824	50,732	51,663	52,617	53,595
TOTAL GEN BLDG/PLANT	100,330	102,138	103,991	105,892	107,841
TOTAL POLICE	912,107	931,010	950,369	970,195	990,499
TOTAL FIRE DEPT.	54,533	55,271	56,028	56,802	57,595
TOTAL HEALTH DEPT.	30,100	30,490	30,890	31,299	31,719
TOTAL GARBAGE CONTRACT	507,678	518,103	527,937	543,723	559,368
TOTAL PUBLIC WORKS	389,798	398,058	406,525	415,203	424,098
TOTAL SALT & CINDERS	113,000	115,825	118,721	121,689	124,731
TOTAL STREET SIGNS	1,000	1,000	1,000	1,000	1,000
TOTAL STREET LIGHTING	212,697	216,891	221,168	225,532	229,982
TOTAL ROAD MATERIALS	15,000	15,000	15,000	15,000	15,000
TOTAL MMVTA CONTRIBUTION	3,125	3,125	3,125	3,125	3,125
TOTAL COMMUNITY/DEV.	32,587	33,389	34,211	35,054	35,918
TOTAL DEBT SERVICE	5,000	5,000	5,000	5,000	5,000
TOTAL MISC. EXPENDITURES	144,424	147,659	150,976	154,375	157,859
TOTAL INSURANCE PREM	141,142	143,965	146,844	149,781	152,777
TOTAL BENEFITS/PENSION	1,103,792	1,134,764	1,166,677	1,199,565	1,233,460
<b>TOTAL EXPENDITURES</b>	<b>4,073,534</b>	<b>4,160,339</b>	<b>4,248,569</b>	<b>4,344,827</b>	<b>4,443,078</b>
<b>DIFFERENCE</b>	<b>91,442</b>	<b>56,534</b>	<b>18,768</b>	<b>(25,539)</b>	<b>(78,219)</b>

Overall, it is assumed that the expenditures will increase at approximately 2.2% per year. This is consistent with projected economic forecasts and the CPI. The following assumptions were used to provide the baseline expenditure projections.

### Forecast Assumptions

#### Wages and Salaries

Local government is a service industry and, therefore, compensation for employees is the largest expenditure in a local government budget. When reviewing financial position, the compensation of employees is the most important analysis that is done.

Police wages and public works wages are assumed to increase at a rate of 2.5% per year for 2017 through 2021. It is assumed that the 2016 staffing levels will not change through 2021.

#### Employee and Pension Benefits

Employee and pension benefits, at just over \$1 million in 2016, represent one of the largest expenditure categories in the City's budget and are expected to be over \$1,233,460 by 2021. This category includes workers' compensation, healthcare benefits, and FICA and Medicare employer share payments. This represents 23.7 mills of tax and will be difficult to sustain over the long term because it is increasing faster than revenue is increasing.

Retirement/pension benefits, at over \$1mil in 2016, represent one of the largest expenditures in the City's budget and will rise to over \$1.2 million by 2021 which represents 23.7 mills of real estate taxes.

TABLE 56: PROJECTED EMPLOYEE AND PENSION BENEFITS 2017-2021

BENEFITS/PENSION - 487		2017	2018	2019	2020	2021
		PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
01.487.151	W.C. INSURANCE	132,715	139,350	146,318	153,634	161,316
01.487.153	M.M.O. NON-UNIFORM	52,000	53,300	54,633	55,998	57,398
01.487.154	M.M.O. POLICE	294,954	302,328	309,886	317,633	325,574
01.487.155	M.M.O. FIRE DEPT.	13,200	13,530	13,868	14,215	14,570
01.487.156	HOSP/65S/DENTAL/RX	415,577	425,966	436,616	447,531	458,719
01.487.157	HEALTHCARE DEBIT CARDS	119,650	122,642	125,708	128,850	132,072

	<b>BENEFITS/PENSION - 487</b>	<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.487.158	LIFE INSURANCE	9,160	9,389	9,624	9,865	10,111
01.487.161	FICA EMPLOYER	44,306	45,413	46,549	47,712	48,905
01.487.162	UNEMPLOYMENT COMPENSATION	11,868	12,224	12,590	12,968	13,357
01.487.163	FICA MEDICARE	10,362	10,621	10,886	11,158	11,437
	<b>TOTAL BENEFITS/PENSION</b>	<b>1,103,792</b>	<b>1,134,764</b>	<b>1,166,677</b>	<b>1,199,565</b>	<b>1,233,460</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Tax Collection

The City captures all costs associated with Tax Collection in this category. Delinquent real estate taxes are turned over to the Tax Claim Bureau. Berkheimer Associates collects EIT under the countywide collection agreement and also collects the City's mercantile and local services taxes. The largest expense in this category is for salaries for the elected Treasurer and two clerical positions.

TABLE 57: PROJECTED TAX COLLECTION EXPENDITURES 2017-2021

	<b>TAX COLLECTION - 403</b>	<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.403.130	SALARIES	48,599	49,085	49,576	50,072	50,573
01.403.195	TAX COLLECT COUNTY	1,250	1,250	1,250	1,250	1,250
01.403.196	TAX COLLECT SCHOOL	1,550	1,550	1,550	1,550	1,550
01.403.210	SUPPLIES	6,000	6,000	6,000	6,000	6,000
01.403.325	POSTAGE	5,000	5,000	5,000	5,000	5,000
	<b>TOTAL TAX COLLECTION</b>	<b>62,399</b>	<b>62,885</b>	<b>63,376</b>	<b>63,872</b>	<b>64,373</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

### Police Department

Police department expenses, at 22% of total City expenses and at over \$900,000 in 2016, have been and will continue to be the second largest expense in the City's budget after employee and pension benefits. Costs are expected to rise at a rate of 2.5% per year, slightly faster than expenses overall. The projections for this department are shown in **Table 58**.

TABLE 58: PROJECTED POLICE DEPARTMENT EXPENDITURES 2017-2021

POLICE DEPT. - 410		2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.410.130	SALARIES	591,729	606,523	621,686	637,228	653,159
01.410.131	LONGEVITY	41,000	41,000	41,000	41,000	41,000
01.410.132	COURT WAGES	6,500	6,500	6,500	6,500	6,500
01.410.133	HEARING WAGES	7,500	7,500	7,500	7,500	7,500
01.410.134	EMERGENCY OVERTIME	35,696	36,410	37,138	37,881	38,638
01.410.136	DRUG INVESTIGATION	1,000	1,000	1,000	1,000	1,000
01.410.137	BILLABLE OVERTIME	5,000	5,000	5,000	5,000	5,000
01.410.138	HOLIDAY PAY	6,589	6,721	6,855	6,993	7,132
01.410.139	HOLIDAYS WORKED	16,575	16,907	17,245	17,590	17,941
01.410.140	PARTIME POLICE	94,690	96,583	98,515	100,485	102,495
01.410.141	SCHOOL GUARDS	20,711	21,229	21,760	22,304	22,861
01.410.142	METER MAID	8,569	8,783	9,003	9,228	9,459
01.410.143	SHIFT DIFFERENTIAL PYMT	8,000	8,000	8,000	8,000	8,000
01.410.144	SICK LEAVE BUY BACK	1,000	1,000	1,000	1,000	1,000
01.410.145	GUARD UNIFORMS	300	300	300	300	300
01.410.146	CANINE MAINT.	6,212	6,336	6,463	6,592	6,724
01.410.191	POLICE UNIFORMS	8,154	8,317	8,483	8,653	8,826
01.410.209	AMMUNITION	2,000	2,000	2,000	2,000	2,000
01.410.210	OFFICE SUPPLIES	5,000	5,000	5,000	5,000	5,000
01.410.211	METER SUPPLIES	1,500	1,500	1,500	1,500	1,500
01.410.213	OFFICE EQUIPMENT	300	300	300	300	300
01.410.251	R & M POLICE CARS	11,000	11,000	11,000	11,000	11,000
01.410.269	POLICE CAR	20,000	20,000	20,000	20,000	20,000
01.410.316	COMPUTER SERVICE	7,600	7,600	7,600	7,600	7,600
01.410.331	TRAVEL EXPENSES	1,000	1,000	1,000	1,000	1,000
01.410.342	PRINTING EXPENSES	500	500	500	500	500
01.410.352	LIABILITY INSURANCE	982	1,002	1,022	1,042	1,063

	POLICE DEPT. - 410	2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.410.461	EDUCATION TRAINING	3,000	3,000	3,000	3,000	3,000
	<b>TOTAL POLICE</b>	<b>912,107</b>	<b>931,010</b>	<b>950,369</b>	<b>970,195</b>	<b>990,499</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS AND GRS ANALYSIS

By 2021, the police department will cost over \$990,000 to operate. This equates to over 19 mills of tax.

### Public Works

The fourth largest expense category, just under \$350,000 in 2016, is for the public works department. **Table 59** provides a detailed analysis and projections for the public works. By 2021, the public works department will cost over \$424,000 which equates to over 8.2 mills of real estate taxes.

TABLE 59: PROJECTED EXPENDITURES - PUBLIC WORKS 2016-2021

01.430	PUBLIC WORKS - 430	2017 PROJECTED	2018 PROJECTED	2019 PROJECTED	2020 PROJECTED	2021 PROJECTED
01.430.130	SALARIES	236,945	242,869	248,940	255,164	261,543
01.430.131	LONGEVITY	6,900	6,900	6,900	6,900	6,900
01.430.134	EMERGENCY OVERTIME	17,681	18,123	18,576	19,041	19,517
01.430.144	SICK LEAVE BUY BACK	2,500	2,500	2,500	2,500	2,500
01.430.256	MATERIALS, R & M	45,000	45,000	45,000	45,000	45,000
01.430.261	NEW EQUIPMENT	5,000	5,000	5,000	5,000	5,000
01.430.313	ENGINEERING SERVICE	75,772	77,666	79,608	81,598	83,638
	<b>TOTAL PUBLIC WORKS</b>	<b>389,798</b>	<b>398,058</b>	<b>406,525</b>	<b>415,203</b>	<b>424,098</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS GRS ANALYSIS

### Garbage Contract

**Table 60** provides projections for the City's garbage contract, which represented the third largest expenditure category in 2016. In 2015, the City signed a new agreement with Mon Valley Refuse Disposal Authority for a six (6) year term. This contract will run through 2021 and is supported by fees for services. In most years, the fees that are collected support the contract as shown in **Table 60**. The City uses excess revenue for the support of administrative activities associated with the garbage collection function.

TABLE 60: PROJECTED GARBAGE COLLECTION REVENUE AND EXPENDITURES 2017-2021

<b>GARBAGE COLLECTION - 364</b>		<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.364.030	DELINQ GARBAGE-PENALTY	10,000	10,000	10,000	10,000	10,000
01.364.031	GARBAGE FEE-CURRENT	357,572	366,512	375,674	385,066	394,693
01.364.032	GARBAGE FEE-DELINQ	103,764	106,358	109,017	111,742	114,536
01.364.033	GARBAGE FEE HOUSING AUTH	63,000	63,000	63,000	63,000	63,000
01.364.035	YARD WASTE PICKUPS	1,000	1,000	1,000	1,000	1,000
01.364.040	GARBAGE COLLECTED FOR NEXT YR.	115,000	115,000	115,000	115,000	115,000
	<b>Total Garbage Revenue</b>	<b>650,336</b>	<b>661,870</b>	<b>673,691</b>	<b>685,809</b>	<b>698,229</b>
<b>01.427</b>	<b>GARBAGE CONTRACT - 427</b>					
	<b>Total Garbage Contract Expense</b>	<b>507,678</b>	<b>518,103</b>	<b>527,937</b>	<b>543,723</b>	<b>559,368</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS GRS ANALYSIS

### Code Enforcement

The City is projected to spend only \$30,000 per year, or 1% of its 2017 projected expenses on code enforcement. This is a very low percentage in an older urban community. Given the age of many of the buildings in the City, the City Council may want to consider investing in preventative efforts like the elimination of blight and aggressive code enforcement.

TABLE 61: PROJECTED CODE ENFORCEMENT EXPENDITURES 2017-2021

<b>HEALTH DEPT. - 421</b>		<b>2017 PROJECTED</b>	<b>2018 PROJECTED</b>	<b>2019 PROJECTED</b>	<b>2020 PROJECTED</b>	<b>2021 PROJECTED</b>
01.421.130	CODE ENFORCEMENT SALARIES	15,600	15,990	16,390	16,799	17,219
01.421.137	K2 INSPECTIONS	3,000	3,000	3,000	3,000	3,000
01.421.210	OFFICE SUPPLIES	2,000	2,000	2,000	2,000	2,000
01.421.317	ANIMAL CONTROL FEE	7,000	7,000	7,000	7,000	7,000
01.421.318	INSPECTOR	1,500	1,500	1,500	1,500	1,500
01.421.461	C. E. TRAINING	1,000	1,000	1,000	1,000	1,000
	<b>TOTAL HEALTH DEPT.</b>	<b>30,100</b>	<b>30,490</b>	<b>30,890</b>	<b>31,299</b>	<b>31,719</b>

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS GRS ANALYSIS

## FUTURE OUTLOOK

The rate of increase over the past five years in expenditures is higher than the rate of increase for revenues over the same time period. In fact, the projected rate of increase for revenue in the future is about 1.2% per year and the rate of increase projected for expenditures is about 2.2% per year. By 2020, the City's reserves will be depleted without additional revenue enhancement and cost containment.

TABLE 62: PROJECTED REVENUE AND EXPENDITURES 2017-2021

Year	Revenues	Expenditures	Difference
2017	4,164,977	4,073,534	91,442
2018	4,216,872	4,160,339	56,534
2019	4,267,337	4,248,569	18,768
2020	4,319,288	4,344,827	(25,539)
2021	4,364,859	4,443,078	(78,219)

SOURCE: CITY OF MONESSEN FINANCIAL REPORTS GRS ANALYSIS

The City's finances are partially influenced by factors that the City cannot control, at least in the short-term, such as county assessments, regional economic conditions, and lack of growth. Intergovernmental revenues are influenced by the availability of funds at the state and federal levels. Other expenditures are driven by negotiated labor contracts, the rising costs of benefits, debt and lease agreements, and price inflation.

However, there are factors that the City can control. These are improving property values, increasing the level of tax collection effort, tax levies, charges for services, and the ability to partner with others in the public-and private-sectors to share costs and to generate additional revenues. The City can control the size of the workforce by balancing service needs with resources available. The City can also reduce services if warranted and lease or bid out services to private vendors if it is in the best interest of the community. These are difficult decisions but the benefit of making hard decisions is that the sustainability of the community for the long term is ensured and the quality of community life is improved.



### STEP III: EMERGENCY PLAN FOR CURRENT FISCAL YEAR

The purpose of Step III of the EIP Five-Year Financial Management Plan is to develop a plan that allows the City to pursue short-term strategies, based on the information derived from Step I (Financial Condition Assessment) and Step II (Financial Trend Analysis) during the next six- to 12-month time frame. The EIP guidelines state that, if an emergency exists, the emergency plan should set forth a strategy regarding

1. Whether the current fiscal year's budget should be reopened, amended, or modified;
2. Whether operational and/or personnel reductions should occur;
3. Whether short-term borrowing, including possible unfunded debt borrowing, is necessary; and
4. Whether other types of administrative reorganization or short-term actions should be effectuated in order for the City to remain solvent in the current fiscal year.

#### Step III Emergency Plan for Current Fiscal Year

Based on the GRS review of the City's existing financial condition and trend analysis in Steps I and II, it is the EIP team's opinion that **there is not an imminent financial crisis**. Although the City currently has sufficient cash flow to support its operation in the current year, it is uncertain whether revenue will be sufficient in future years.

### IMMEDIATE ACTION NOT REQUIRED

Based on the GRS review of the City's existing financial condition and trend analysis in Steps I and II, it is the EIP team's opinion that **there is not an imminent financial crisis**. Although the City currently has sufficient cash flow to support its operation in the current year, it is uncertain whether revenue will be sufficient in future years.

The City budget for 2017 is stable and reasonable and should provide sufficient revenue to support its operations. The adopted budget meets the financial thresholds of budgetary and operational solvency. In fact, the projections for 2017, 2018, and 2019 indicate that the City will be at an approximate "break even" position where revenue will most likely be sufficient to support the operating expenditures without any increases in tax rates or fees.

However, the City could experience financial deficits in the future because revenues are not expected to rise as quickly as expenses will rise over the next five (5) years. By 2021, the gap between revenue and expenditures could approach \$78,000. The City could, therefore, benefit from “administrative adjustments or short-term actions” that would ensure that the City remains solvent beyond the 2019 fiscal year.

### **REVENUE ENHANCEMENTS – SHORT-TERM STRATEGIES**

As stated in Step I and Step II of this report, the City has generated less revenue than needed to support the expenditures for its general operation in the last two years and, as a result, have experienced structural deficits between operating revenue and expenditures. In future years, the revenue is not projected to be sufficient to support the general operating expenditures. This is due to a number of factors:

- The assessed value of real estate for taxation purposes in the City has remained relatively flat over the past four (4) years due to the undervalued assessments by Westmoreland County and ongoing appeals that reduce appraised values.
- Since the City is highly dependent on real estate tax revenue at 35%, it is necessary to maximize the collection of current and delinquent real estate taxes. The collection for current year real estate taxes is only 89%.
- The market value of housing in the City is increasing slightly but still remains lower than surrounding communities and neighborhoods which deflates both realty transfer tax and real estate tax collections.
- The fees and charges for services have not been set at levels that reflect all of the costs associated with providing services.
- The employee and pension benefits make up about 12% of all expenditures and must be contained in order to meet future obligations.

The City's ability to generate sufficient revenue to support the cost of delivering municipal services cannot be filled by any one action or decision but must be addressed over time by adopting a posture of fiscal discipline and open dialogue with the public, local leaders, business owners, and staff.

#### **Real Estate Tax**

- The City's current real estate tax collection is at 89% which is slightly below the average collection rate for municipalities. It is important to increase this collection rate.

- The City relies on the Tax Claim Bureau to collect its delinquent real estate tax. This results in collections of about \$165,000 per year. The City should consider a contract with a private collector.
- The City should monitor appeal activity and challenge any major assessment appeals.
- The City should continue to work to increase the values of both residential and commercial property to ensure that future years will reflect higher market values and subsequent increases in assessed values. Aggressive code enforcement activities and attention to neighborhood amenities will help to improve property values. The City should consider a higher commitment of personnel and resources to code enforcement.

### Act 511 Taxes

The rates for EIT, LST, and deed transfer tax are established at specific levels in the authorizing statutory language of Act 511 and cannot be increased. The City's EIT, Mercantile, and LST are collected by Berkheimer Associates. In order to maximize the ability to collect all taxes due to the City, the following recommendations are made:

- The City should consider a rental registration program to keep the list for EIT payers current and complete. An appropriate land use module for collecting this information electronically should be installed to assist with this function.
- The City should continue to make an effort to track its vacant properties and rental property information. This information can be used to maximize collection efforts.
- The City should consider a \$300 business privilege flat tax on businesses in the City. Although the imposition of a business privilege tax based on gross receipts has been ruled unconstitutional by the courts, a flat tax on businesses in a municipality is legal. It is estimated that approximately \$30,000 could be derived from the approximately 100 businesses in the City.

### Mechanical Devices Tax

- The City should increase its levy for mechanical devices to at least \$1,000 for all devices which is more consistent with other communities in Allegheny County. By doubling the fee for many of the devices, the City could generate \$12,000 in new revenue.

## Other Taxes

The City could do the following to help increase all tax collections:

- The City should ensure that all residents and addresses are up to date and that they are collecting the appropriate information for tax collection purposes. Having a computer application that can capture this parcel information is important for easy access and continual updates.
- The City should be involved with the Westmoreland County Tax Collection Committee by having a municipal representative on the Board that participates in important tax collection policy decisions moving forward.

## Fees and Charges for Services

Fees and charges do not currently make up a significant portion of the City's general fund revenues. But there are a number of steps that can be taken to increase fee revenues.

- The City does not have a comprehensive fee resolution that is updated and adopted each year. The City should adopt a fee resolution with fees set to cover costs to provide services. The resolution should be updated annually as part of the budget process. **Appendix C** includes a sample Fee Resolution.
- The City should adjust fees for services on an annual basis in conjunction with the annual budget in order to assure that each fee covers the costs associated with providing the service including overhead, uncollected fees, and other indirect costs.

## Cable TV Franchise Fees

The City should consider reviewing its cable TV franchise revenue to ensure that the City is receiving all of the revenue that is available through cable TV fees. This review may be available through the COG or combined with other municipalities.

## Pension

The pension funds are currently underfunded and have been identified as "moderately distressed." The police pension fund is currently funded at only 68% of the total liability.

- The City should consider a special Act 205 levy for EIT to support the police pension fund. An increase from .5% to .65% in additional EIT levy could generate approximately \$190,000 in new revenue to support the pension funds.
- The City should negotiate police pension contributions from 4.5% to 5%. This would generate about \$3,500 in additional contributions to the pension fund annually.

### Summary

If the City were to implement the strategies identified above, it is estimated that there could be an increase in annual revenue of approximately **\$315,000 per year**. A recap of the various revenue strategies discussed is outlined below in **Table 63**.

TABLE 63 – PROJECTED INCREASE TO REVENUE WITH RECOMMENDATIONS

PROJECTED INCREASE TO REVENUE WITH RECOMMENDATIONS		
Item	Estimated New Revenue	Comment
Increase Current Collection	\$43,000	Increase current collection from 89% to 92%
Delinquent Tax Collection	\$25,000	Retain a private collector for delinquent real estate taxes
Adopt Act 205 EIT Levy	\$190,000	Enact a .15% levy to support distressed pension
Business Privilege Flat Tax	\$30,000	Establish a \$300 flat tax on 150 businesses in Monessen
Mechanical Devices	\$12,000	Increase fee for all mechanical devices to \$1,000.
Set Fees to Cover All Expenses	\$10,000	Raise rates to cover all expenses related to the services provided
Cable TV Franchise Fees	\$5,000	Use special legal counsel to review the franchise agreement and audit revenue received by the City.
<b>TOTAL ESTIMATED NEW REVENUE</b>	<b>\$315,000</b>	

SOURCE: GRS RESEARCH AND ANALYSIS

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**COST CONTAINMENT – SHORT-TERM STRATEGIES**

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As reported in Step I and Step II of this report, the City's overall revenues have increased at a moderate annual rate of about 1.2% per year over the past five (5) years which has not been sufficient to support operating expenses which have increased at a rate of 2.2% per year. It is unreasonable to expect the costs to be contained at such a low rate in the future.

By contract, most employees will receive increases in the next few years at about 2.5% to 3% per year and benefits are expected to increase by at least 5% per year. Considering the high built in costs for personnel it will be difficult for the City to control costs at the same level over the next five (5) years without reducing staff. However, there are cost containment strategies that could have some short-term implications for 2017 and beyond. They are outlined below.

**Police Department**

The City has the management right to set the size of the police force and the number and rank of the officers on the force. The City can review the size and rank of their officers from time to time to determine what manpower is necessary and whether the use of part-time officers to fill schedules should be expanded. It is important that the City monitor the overtime costs and use of part-time police officers to the maximum benefit.

The City signed a five-year agreement with the police department represented by the Teamsters Local 205 covering years 2016 through 2020. Some items in the current collective bargaining agreement that should be addressed when possible are:

1. The current healthcare language provides coverage for all employees, spouses, and dependents with no contribution by employees for health, dental, and vision care. There should be a contribution by employees of at least 10% of the premium which is fairly typical for municipalities.
2. The City provides healthcare for retired employees, spouses, and dependents not only until the retiree reaches age 65, but also after. The City is required to provide a 65+ supplemental for employees and spouses for the rest of their lives. This is the most expensive post-retirement healthcare benefit that we have seen for any municipality. The City really needs to consider eliminating this benefit for future hires.

3. There is language in the police contract that provides for time and one-half if an officer is scheduled to work less than twelve hours between shifts. The scheduling should be controlled so that officers do not work "short shifts." This can be done with the efficient scheduling of part-time officers.
4. Beginning in 2016, the pay rate was raised to \$15.25 per hour for starting part-time police officers and will rise to \$17.25 by 2020. The City may want to consider the award of some limited time off and partial benefits to make the position more attractive to potential candidates. Some departments actually guarantee the officers a certain number of hours per week. By employing and retaining part-time officers, the City has more flexibility in managing the schedule and potentially reducing overtime.
5. The longevity provided is very generous. Although it has been reduced from a maximum of 15% of base salary to 7% of base salary, by 2020 it will represent \$4,050 per officer for those officers that have reached the maximum longevity payment.
6. Paid leave time is very generous. A 20 year police officer is eligible for 30 vacation days, 15 sick leave days, 5 personal days, and 11 holidays for a total of 61 days of paid leave. This means that a police officer could be on paid leave about 25% of the year. Much of the paid leave in police departments is covered through the use of overtime compounding the cost of this benefit. For this reason, paid leave should be reduced when possible.
7. The City should change the normal retirement service requirement from 20 years to 25 years of service in order to reduce the unfunded liability in the pension plan.
8. Increase employee pension contributions from 4.5% to 5%.
9. The City should confer with the Solicitor about the mandatory retirement age of 70 that is shown in the most recent contract.

### Public Works

The City has the management right to set the size of the public works department and the number and duties of the employees in the department. The City entered into a three-year contract with AFSCME, Council 83, Local 769 in 2016 that expires in 2018. Some issues that should be addressed in the current contract are:

1. The contract provides that overtime shall be paid for hours worked beyond eight (8) hours in one day. This should be changed to forty (40) hours in a week to be consistent with the Fair Labor Standards Act.

2. The probationary period should be extended from 180 days to one year.
3. The hospitalization language is restrictive for the Employer by referencing a specific product. It also requires coverage of employees and dependents. There should be a contribution by employees of at least 10% of the premium.
4. The City provides healthcare for retired employees, spouses, and dependents not only until the retiree reaches age 65, but also after. The City is required to provide a 65+ supplemental for employees and spouses for the rest of their lives. This is the most expensive post-retirement healthcare benefit that we have seen for any municipality. The City really needs to consider eliminating this benefit for future hires.
5. Employees have been paying only 5% of their wages into their pension plans since 1985. This amount should be increased at the next bargaining session in order to better fund the pension Plan.

## Benefits

The current collective bargaining agreements require the City to pay the full premium for healthcare, dental, and vision for all employees, spouses, and dependents with no employee contribution towards health care. These are expensive plans that should be reviewed on a regular basis. There should be flexibility for the City to seek the lowest cost plan that can provide adequate coverage for employees. The employees should be contributing towards the cost of healthcare.

- **Options for controlling healthcare costs.** The cost of health insurance is expected to increase significantly in future years. The current plans offer very rich benefits that are very costly. The City has opted for plans that offer fewer benefits and use third party administered Flexible Spending Accounts (FSA) and Health Savings Accounts (HSA) to cover the higher co-pays and deductibles. The City should continue to research costs of other plans as well as offering healthcare buyouts to employees who can obtain coverage through their spouse's employer.
- **Consider eliminating healthcare coverage and encouraging employees to enroll in the Affordable Care Act Plans.** The City could offer employees a supplement, FSA, or HSA each year toward the cost. The supplement could be set up as a pre-tax benefit through a third party administrator.



- **Do not provide any additional pension benefits.** The City contributions to the pension plans has been increasing each year with less and less state aid to offset the expense. The City should explore ways to make the plans less expensive in the future by raising the normal retirement service requirement to 25 years and requiring higher pension contributions from employees.

### Management and Finance

In any local government operation, management provides the vision and exhibits the leadership for effecting positive change. The City has hired a City Clerk and Finance Clerk who are working hard to provide excellent service to the City but lack the experience and training that would support their efforts. The City Council should continue to provide training and professional development for employees on a regular basis in order to ensure the very highest standards for the organization.

- Management should engage in regular discussions with employees and bargaining units about the fiscal constraints the City faces and solicit ideas and proposals for containing costs and enhancing revenue.
- The City should continue to upgrade the City's financial management system and explore and implement additional modules that may be available.
- The City should require a financial management system that includes a **purchase order module** that helps control spending and allows department directors to view the finances of their departments. The new system should support all of the City's financial activity in all of the funds that have been set up during the course of this study. Those funds include: general, sewer, parks, health center, capital, and liquid fuels. This will allow the City to continually monitor, analyze, and establish costs for the service delivery provided to residents by the local government.
- Department directors should be included in developing and administering their respective budgets. They should be held accountable for budget overruns and should be required to justify expenditures that are not routine or ordinary.

### Summary

If the City were to implement the cost containment strategies noted above, they could decrease their expenses by approximately **\$71,000**. A recap of the various cost containment strategies discussed is outlined below in **Table 64**.

TABLE 64 – PROJECTED DECREASE TO EXPENDITURES WITH RECOMMENDATIONS

<b>PROJECTED DECREASE TO EXPENSES WITH RECOMMENDATIONS</b>		
<b>Item</b>	<b>Estimated Savings</b>	<b>Comment</b>
Expanded use of PT Officers	\$10,000	Expanded use of part-time police officers for scheduling purposes
Health Insurance	\$50,000	Require employees to contribute 10% of the premium cost
Reduce paid leave in police department	\$11,000	Eliminate 5 vacation days at the 20 years and over category
Eliminate post-retirement health care for new hires	N/A	This change will provide positive impacts in the future.
<b>TOTAL ESTIMATED SAVINGS</b>	<b>\$71,000</b>	

SOURCE: GRS RESEARCH AND ANALYSIS

## Intergovernmental Initiatives

### Regional Groups

The City should continue to explore and pursue intergovernmental solutions with the Westmoreland County COG communities, WEDIG, the Westmoreland County Land Bank, the Mon Valley Initiative and the adjacent communities especially in the area of economic development. The best method for effecting such cooperating, merging, or sharing is for the City Clerk and City Council to participate in any and all regional discussion opportunities available to them. Therefore, recommendations include active participation in the following organizations:

- Westmoreland County Council of Governments
- Local Government Academy (LGA)
- Association for Pennsylvania Municipal Managers (APMM)
- Pennsylvania Chiefs of Police Association (PCPA)
- Western Pennsylvania Police Chiefs (WPPCA)
- Pennsylvania Municipal League (PML)
- Westmoreland Economic Development Initiative for Growth (WEDIG)

Entering into discussions with these groups and others will provide countless opportunities for working on regional solutions and engaging in regional dialogue about local issues.

### Summary of Recommended Short Term Initiatives

**Table 65** provides an overview of the Step III initiatives that are recommended for addressing the projected gap between revenue and expenditures in future years. If all of the items were implemented the City could address potential deficits and continue to operate effectively and efficiently without real estate tax increases. By identifying \$386,000 in new revenue and/or estimated savings, the City has addressed the potential of realizing revenue equal to 7.4 additional mills of taxes without raising the millage rate and addressing future projected deficits.

TABLE 65 – PROJECTED ANNUAL SAVINGS FROM REVENUE ENHANCEMENTS AND COST CONTAINMENT IN 2017

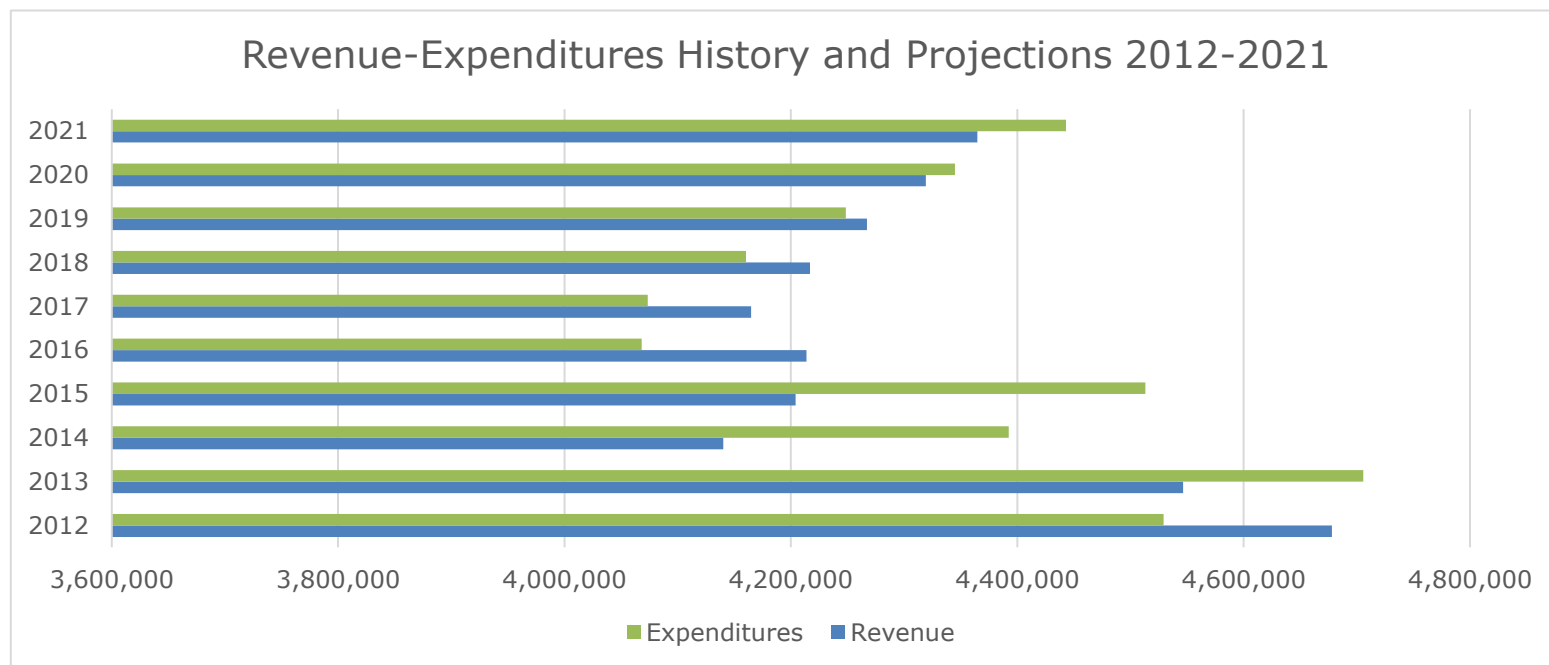
2017		2017	
Item	Estimated New Revenue	Item	Estimated Savings
Increase Current Collection	\$43,000	Expanded use of PT Officers	\$10,000
Delinquent Tax Collection	\$25,000	Health Insurance	\$50,000
Adopt Act 205 EIT Levy	\$190,000	Reduce paid leave in police department	\$11,000
Business Privilege Flat Tax	\$30,000	Eliminate post-retirement health care for new hires	N/A
Mechanical Devices	\$12,000		
Set Fees to Cover All Expenses	\$10,000		
Cable TV Franchise Fees	\$5,000		
<b>Total Estimated New Revenue</b>	<b>\$315,000</b>	<b>Total Estimated Savings</b>	<b>\$71,000</b>
<b>TOTAL REVENUE AND EXPENSE INITIATIVES</b>			<b>\$386,000</b>

SOURCE: GRS RESEARCH AND ANALYSIS

## CONSULTANT STATEMENT - TEST FOR FUTURE SOLVENCY

Based on our analysis and projections, it is our reasoned opinion that the City will be able to meet payroll requirements, debt service payments, outstanding obligations, and provide a basic level of service for its citizens during fiscal year 2017 and for the next two years. The City's budget is a reasonable projection of revenue sources and expense requirements. It meets the tests for cash solvency, budgetary solvency, and service level solvency as defined earlier in this report. There is some uncertainty as to whether the City's financial condition will meet the test for long-term solvency beginning in fiscal year 2019 because the expenditures are expected to rise at a faster rate than revenues. Unless there is some intervention by the City and the implementation of the strategies discussed, the City will begin to experience a gap between its ongoing operational expenses and its ability to generate sufficient revenue in future years. It will be important for the City to implement the initiatives discussed in order to maintain long-term solvency.

FIGURE 9 – FUND BALANCE HISTORY AND PROJECTIONS THROUGH 2021EWPA.



SOURCE: GRS RESEARCH AND ANALYSIS

### **Final Acknowledgments**

The EIP team would like to thank the City staff including the City officials for their assistance in preparing this report. We found the City staff to be fully cooperative, knowledgeable, and helpful in securing information, preparing data, and developing strategies for the future management of the City. They are hardworking and dedicated and should be commended for providing leadership, support, and guidance over the past five (5) years which have been a major challenge for the City.

**APPENDIX A – DETAILED REVENUE AND EXPENDITURE HISTORY AND PROJECTIONS**

See the following pages.

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**APPENDIX B – CITY OF MONESSEN AND COMPARISON COMMUNITIES**

See the following pages.



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**APPENDIX C – SAMPLE FEE RESOLUTION**