

**BOROUGH OF GREENVILLE
MERCER COUNTY PA**

**RECOVERY PLAN AMENDMENT
AND
3 – YEAR EXIT PLAN**

**Prepared in accordance with the
Municipalities Financial Recovery
Act – Omnibus Amendments
Section 256 of Act 199 of 2014**

**by
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Submitted: January 16, 2019

INTRODUCTION

In the fall of 2018, a *Financial Condition Report* for the Borough of Greenville was presented to the borough as well as the PA Department of Community and Economic Development (DCED) in accordance with Section 255 of Act 199 of 2014, the Municipalities Financial Recovery Act Omnibus Amendments. The purpose of the report was to assess the status of the conditions that caused the borough to be declared financially distressed by the state in 2002 and stipulate a finding based on a review of the borough's current financial circumstances. Section 255 permits four possible findings; (1) conditions within the municipality warrant a termination of the distressed status; (2) conditions are such that the municipality should be disincorporated; (3) conditions are such that the secretary should request a designation of fiscal emergency; and (4) a three-year exit plan is warranted.

The *Financial Condition Report* concluded that the borough can affirmatively demonstrate that Criteria 2: Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest and has permitted timely debt service absent participation in this act, and Criteria 3: The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default have been addressed and no longer pose financial challenges to the borough. However, two of the criteria have not been met; Criteria 1: Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrate a reasonable probability of future balanced budgets absent participation in this act, and Criteria 4: The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after termination of distressed status. The conclusion and recommendation of the *Financial Condition Report* was the fourth option

available under Section 255, a three-year exit plan is warranted. A complete copy of the *Financial Condition Report* can be found in Appendix A.

Recovery Plan Amendment/Exit Plan - Two sections of Act 199 of 2014, Section 241 and Section 256, were used to guide the development of this document. Section 241 deals with the contents of a recovery plan and plan amendments and specifies that they shall include any of twelve factors which are relevant to alleviating the financially distressed status of the municipality. The factors found to be relevant to this recovery plan amendment are: projections of revenues and expenditures for the current year and the next five years; recommendations or action items that address specific policy, administrative, financial or organizational challenges; changes in collective bargaining agreements and permanent and temporary staffing level changes or changes in organization; recommendations for further studies, the development of a capital budget which addresses infrastructure deficiencies; recommendations for greater use of Commonwealth economic and community development programs; recommendations for enhanced cooperation and changes in land use planning and zoning, including regional approaches that would promote economic development and improve residential, commercial and industrial use availability within and around the municipality; and limits on projected expenditures for individual collective bargaining units that may not be exceeded by the distressed municipality.

Section 256 of Act 199 provides further focus for the three-year exit plan. The section states that the plan shall contain elements as may be necessary to ensure termination of distressed status after three years, including but not limited to:

- The sale, lease, conveyance, assignment or other disposition of the assets of the distressed municipality.
- Functional consolidation of or privatization of existing municipal services.
- The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality.

- Changes in the form of municipal government or the configuration of elected or appointed officials and employees as permitted by law.

Process for Review and Adoption - Once this document is submitted to the borough, it will be posted on the borough's website, its availability for public review will be advertised, a period for submission of written public comments will be identified and a notice will be published for a public meeting of borough council where public comments will be taken. As with prior recovery plan amendments, action by council in the form of an ordinance is required to adopt the recovery plan amendment/exit plan. The plan will be effective from 2019 through 2021. Although the borough formally has a three-year exit term, the distressed designation could be lifted by the DCED at any time prior to the expiration of the three-year time limit.

This recovery plan amendment/exit plan consists of the following:

- **Part 1. Current Financial Condition: Cash, Budgetary, Service Level & Long-Term Solvency**

A review of the borough's current financial condition based on four factors generally recognized by the Government Finance Officers Association and the International City/County Management Association; cash, budgetary, long term and service level solvency; is contained in this section.

- **Part 2. General Fund Financial Projections**

Revenue and expenditure projections for the borough's general fund for the years 2019 – 2023 are presented. Years 2019 through 2021 cover the time period subject to the recovery plan amendment and exit plan.

- **Part 3. Creating Short- and Longer-Term Financial Stability**

This part addresses the actions associated with the categories stipulated in Sections 241 and 256 of Act 199, the omnibus amendments to Act 47.

- **Part 4. Workforce Limitations**

Act 199 requires that workforce limitations be set for a five-year period for personnel covered by the borough's collective bargaining agreements for police, fire and public services.

- **Part 5. Action Items – Retained from Existing Recovery Plan**

The last part of this document contains action items carried forward from the existing recovery plan amendment. Some action items previously met are maintained to reinforce the importance of the item, while others are carried forward for implementation consideration over the next three years.

- **Appendix A. *Financial Condition Report***

A complete copy of the *Financial Condition Report* including data tables is presented in Appendix A as a reference.

PART 1. CURRENT FINANCIAL CONDITION: CASH, BUDGETARY, SERVICE LEVEL & LONG-TERM SOLVENCY

To exit financial distress and attain short- and longer-term financial self-sufficiency, the borough must demonstrate the capacity to achieve and maintain cash, budgetary, service level and long-term solvency. Each type of solvency is assessed in this part of the recovery plan amendment/exit plan. The definitions of cash, budgetary, service level and long-term solvency are consistent with nationally recognized public sector financial management practices.

Cash Solvency means that the borough has funds readily available to pay its obligations on a month-to-month basis. In the years since DCED provided emergency loans to the borough in 2002 and 2003, there has not been a time when a borough obligation was unpaid beyond its due date because there was insufficient cash. Cash solvency has been sustained through the implementation of a general operating fund balance policy that allocated a portion of its year end surplus to a general operating reserve. The value of the reserve has ranged from \$250,000 - \$540,000 with much of its value originating from surpluses generated as long ago as 2006. The reserve has principally been used to pay borough expenses in the early part of each year when real estate and earned income tax receipts are at their lowest. From 2006-2016, the reserve eliminated the need for a short-term tax anticipation loan. Table 1 provides data regarding the annual year end fund balances for 2006 – 2017.

At the end of 2017, the annual financial audit indicated that the borough's general fund balance was \$735,138. That amount was distributed as follows: \$264,528 was committed to the operating reserve ("Rainy Day" fund); \$125,000 was assigned to cover required compensating bank balances; \$19,949 was allocated to the capital reserve; \$104,244 was set aside for payroll and other liabilities; and \$1,821 was associated with the HRA fund. The remainder of the general fund balance, \$219,596, was unassigned.

Another critical factor for sustaining cash solvency over the years has been the borough's policy to adopt a general fund budget that does not rely on the use of **prior year's** fund balance to pay for **subsequent years'** general operating expenses.

Conclusion – Cash Solvency: The borough has consistently demonstrated cash solvency and should continue to do so if it maintains the fund balance policy that annually allocates a portion of the prior year’s general fund balance to a reserve fund reserve and continues to avoid using prior years’ general fund revenues to cover subsequent year general operating expenses.

TABLE 1. GENERAL OPERATING FUND BALANCE:12/31/2006 – 12/31/2017

YEAR	FUND BALANCE
2006	\$1,132,998
2007	\$1,310,878
2008	\$ 986,451
2009	\$ 909,455
2010	\$ 851,133
2011	\$ 901,604
2012	\$1,047,727
2013	\$1,024,257
2014	\$ 786,597
2015	\$ 724,147
2016	\$ 677,574
2017	\$ 735,138

Source: Greenville - Annual Financial Audit Reports

Budgetary Solvency is defined as a municipality’s capacity to raise sufficient general operating revenue to support general operating expenditures over the 12-month fiscal year. Ultimately, the goal is to end the year with total general fund revenue in excess of the total general fund expenditures. Financially healthy communities over the course of a year typically generate 2% - 5% more in revenue and spend 2% - 5% less than budgeted. The borough **did not** demonstrate budgetary solvency from 2003-2016. Beginning in 2003, the borough relied on the Mercer County Court of Common Pleas to annually authorize an Act 47 earned income tax levy in excess of the 1% permitted under PA Act 511 on resident and non-resident earned income. The difference between the revenue the borough was able to generate from existing revenue sources and the additional tax levy permitted by the court constituted the general fund “structural deficit.” Over a period of years ending in 2017, the borough incrementally reduced the Act 47 portion of the Earned Income Tax from .65% on resident earned income and .42% for non-residents. A reduction in general fund revenue of approximately \$550,000 was achieved through a combination of revenue and expenditure decisions. On the revenue side there were two real estate millage increases; a special

real estate tax levy of 3 mills for fire services approved by voter referendum in May 2015 and general-purpose real estate tax increase of 3 mills in 2014. The combined increase of 6 mills of real estate tax was expected to annually produce about \$180,000 in additional real estate tax revenue, although the actual revenue received has been affected by reductions in the borough's taxable assessed value and increasing real estate tax delinquency rate. Reductions in full-time police, fire and public works positions through attrition, the furlough of 3 administrative staff, the elimination of the parking enforcement officer and school crossing guards and changes in employee contributions for health insurance premiums were the most significant expenditure reductions.

To exit distress, the borough must adopt and implement a feasible strategy to consistently and truly balance its general fund budget by raising sufficient current general fund revenue to fully support current general fund services for a five-year period. The borough's basic capacity to raise revenue without Act 47 earned income tax revenue, given its current revenue structure, is estimated to be a little over \$2.5 million. Significant increases in general fund revenue resulting from growth in the borough's underlying tax base are not expected over the next five years given the borough's present socio-economic characteristics and historical experience. See Table 2 on the following page.

The limited potential for growth is demonstrated when data from the U.S. Census in 2000 and 2010 and 2016 census estimates are compared. Overall, the borough's population has declined by 9.2% (586) in the last 17 years, the median age of the local residents has declined by 4.8 years and the proportion of the population aged 65 and older has declined 3% to 14% (825) of the total population. The number of housing units decreased by 218 (5%) and number of households has declined by 9% (223). The number of individuals per household has not changed. In 2016, although 42% (2146/5794) of the population was employed; it represented a decrease of about 7% (695) since 2000. The median household and per capita incomes have risen by 29% and 16% respectively. The poverty rate at 21.6% is up 7.8%. Owner-occupied housing has decreased by 7%, while housing vacancies increased by 3%. About 56% of the borough's housing was built prior to 1939. Owner-occupied housing values (\$78,400) have increased by a little over 3% since 2010.

Data for Mercer County and the Commonwealth of Pennsylvania are provided for context. Mercer County data indicate sizable positive differences in household (\$45,831) and per capita income (\$24,399) and median owner-occupied housing values (\$111,000) when compared to Greenville. Greenville versus statewide data show even greater disparities. Statewide median household income and per capita income are 36% and 74% higher than Greenville, while the statewide poverty rate is 8.3% lower. The median value of owner-occupied housing statewide at \$167,700 is over 200% higher than the Greenville's.

TABLE 2. BOROUGH DEMOGRAPHIC DATA 2000, 2010 & 2016 ESTIMATES WITH COUNTY AND STATE COMPARISONS FOR 2016 ESTIMATES

Characteristic	Greenville 2000	Greenville 2010	Greenville 2016 Estimate	Mercer County 2016 Estimate	Pennsylvania 2016 Estimate
Population	6380	5919	5794	116,638	12,702,379
Male	3015	2843	2998	57,106	6,255,842
Female	3365	3076	2796	59,532	6,528,935
Median Age (Years)	34.6	33.1	29.8	42.8	40.6
Residents ≥ 65	1065 (17%)	871 (15%)	825 (14%)	12,557 (11%)	2,133,247 (17%)
Households	2464	2241	2146	46,442	5,018,904
Household Size (Persons)	2.28	2.29	2.36 Owner 2.28 Rental	2.37	2.45
Employed Persons	3150 49.4%	2817 48%	2455 42.4%	50,124 43%	6,043,693 48%
Median Household Income	\$31,250	\$32,545	\$40,286	\$45,831	\$54,895
Per Capita Income	\$14,969	\$16,566	\$17,360	\$24,399	\$30,137
Poverty Rate					
All Individuals	13.8%	25.1%	21.6%	14%	13.3%
Housing Units	2723	2567	2505	51,604	5,592,175
Owner Occupied	1471(54%)	1301(51%)	1176 (47%)	33,291 (65%)	3,425,706 (61%)
Rental	993 (36%)	940 (36%)	970 (39%)	12,059 (23%)	1,536,223 (27%)
Vacant	259 (10%)	323 (13%)	359 (14%)	6,254 (12%)	630,246 (11%)
Median Housing Value – Owner Occupied	Not available	\$76,700	\$78,400	\$111,000	\$167,700
Housing Units Built before 1939	1511 55.5%	1368 53.3%	1390 55.5%	13,679 26.5%	1,483,741 26.5%

Source: US Census Bureau, American Fact Finder

Conclusion -Budgetary Solvency: With the elimination of the Act 47 portion of the earned income tax, to offset the growth in general fund budget expenditures, attain and sustain budgetary solvency over the next five years, the borough will have to consider increasing the real estate tax rate(s), finding new sources of revenue or changing service levels to reduce operating expenses to consistently attain a balanced budget.

Service Level Solvency – Service level solvency addresses the question of whether the borough is able to maintain basic services within the general fund revenue it is able to raise on an annual basis. To operate within what the borough can afford requires that the borough to continuously monitor the nature and magnitude of services it provides and evaluate the cost of providing those services. Adjustments to increase or reduce service levels are contingent on their affordability. For example, the borough experienced in prior years a relatively significant increase in the cost of street lighting electricity. Rather than eliminating street lighting or drawing resources from other services, the borough invested in a capital project to transition to LED bulbs to lessen or contain the cost of providing street lighting in the future.

Since 2002 the biggest changes in the services provided by the borough have been in recreation and leisure programs. Activities and most expenditures supported by the general operating fund and related to the recreation center and swimming pool have been phased out. Alternative recreational programming was provided by the YMCA for a few years. Over the last several years, the borough in conjunction with the Mercer County Area Agency on Aging worked to relocate the Senior Citizens Center to the former rec center. A community effort focused on developing a funding source sufficient to rehab and operate the swimming pool did not succeed. In 2015, the borough subdivided the pool property from the rest of the park and sold it to Thiel College. The college subsequently removed the swimming pool and associated facilities.

Beyond recreation and leisure services, all departments supported by the general operating fund have experienced reductions in resources. Overall, there are fewer full-time employees and more part-time personnel working to provide basic services today than in 2002. Changes in the management and supervision of public safety and public service functions and the borough's administrative and financial management structure have strengthened the borough's overall potential for making the changes necessary to exit distress. The changes in the financial management accounting and affiliated records system have been critical to the production of sound and useful information and reports on a continuing and timely basis.

To formally and critically assess and plan for service level solvency, the prior recovery plan amendment encouraged the borough undertake a self-study to identify alternatives for service provision and ways to further

reduce and/or contain costs. That evaluation focused on how the borough could maintain basic services within the financial capacity available without reliance on the court authorized EIT levies. Changes in the workforce were made as a result of an iterative assessment process. Those changes have also preserved the capacity to provide essential services within the community and should form the foundation for service provision in the shorter and longer term.

Conclusion - Service Level Solvency: The borough's ability to attain service level solvency is contingent on matching service levels within the constraints set by the borough's revenue resources. The existing organizational/administrative structure currently in place should be maintained upon for the foreseeable future.

Long Term Solvency - Long term solvency assesses the on-going financial integrity of the borough's pension funds, the annual level of debt service supported by the general operating fund and the continuing commitment of funds to the maintenance, replacement and/or acquisition of the borough's capital infrastructure consisting of facilities, vehicles and equipment.

Employee Pension Plans - The borough's three employee pension plans have consistently been funded through employee contributions, state pension aid and/or borough revenues. At the end of 2017, all of the pension plans were funded at an 87.62% or greater level. To maintain the long-term solvency of the pension funds, the borough should accord increased pension benefits for existing borough employees and retirees or grant post-retirement benefits to personnel hired after January 1, 2012. It should also consider the elimination through collective bargaining the allocation of excess interest to plan members. The excess interest then could be used to support the funding levels of the plans overall.

Debt Service – Long term debt service (principal and interest) will range from \$250,000 to \$265,000 from 2018 through 2025 when the bond issue is fully repaid. The long-term debt plus short-term loans for police and fire vehicles account for approximately 11% of total annual general fund expenditures. To maintain long term solvency and be viewed in a positive manner by credit ratings agencies, the borough must work to keep debt service near or below the nationally recognized goal of 10% of the general fund budget. From a policy perspective, the 2016 recovery plan amendment stipulated that decisions with respect to long-term borrowing or

other means of capital financing shall be made in accordance with the borough's capital improvements program with loan and bond maturity schedules designed so that they do not exceed the expected life of the projects financed by such bonds. Capital expenditures over the last several years have met this standard.

Capital Improvements - Of the three factors representing long term solvency, meeting the need for capital improvements poses the greatest long-term challenge to the borough. A commitment to systematically identify and financially support capital needs was initiated with the development of a capital improvements plan about 10 years ago. Since then, borough council and the administrative staff have used the planning process to establish an annual capital budget, although only facility, vehicle and/or equipment needs of an "urgent" or crisis nature have been considered on an annual basis. When "urgent" action has been necessary, the borough has sought grants or short-term loans to finance projects. Examples of such capital expenditures are the acquisition of police vehicles with a three-year lease agreement with the local bank; the repayment of a five-year loan for a fire vehicle with funding from the state's annual Pennsylvania Fire Company/Volunteer Ambulance Service Grant Program; and a grant from PENNVEST to offset about half of the cost for the Bracken Alley storm sewer reconstruction project. The ultimate goal for long term solvency should be to allocate about 10% of the general fund budget each year to support capital projects. Finding revenue to fund "urgent" and "necessary" capital improvements will be part of the challenge associated with establishing and working within a reasonable and consistent local revenue base in the short and longer term.

Long Term Solvency Overall Conclusion: The borough continues to demonstrate long term solvency as it relates to its three employee pension plans and debt service obligations. Continued commitment to limiting the annual debt service interest and principal to 10% of total annual general operating expenditures and preserving the financial integrity of the pension funds by restricting benefit increases and reallocating excess interest from plan members to the plan overall should maintain reasonable stability for two of the borough's three areas of long-term solvency. The borough's biggest long-term challenge will be to effectively identify and fund "urgent" and "necessary" capital infrastructure needs in the short and long term.

PART 2. GENERAL FUND FINANCIAL PROJECTIONS

General fund budget projections for 2018 – 2023 are presented in Table 3. General Fund Budget Projections: 2018 (Base Year) – 2023. The budgets for 2018 (base year) and 2019 adopted budget are shown as balanced. The projected budgets for 2020 – 2023 indicate deficits; expenditures exceed revenues. The projected deficits are \$60,020 in 2020, \$38,962 in 2021, \$110,812 in 2022 and \$79,788 in 2023. The deficits as a percentage of the total projected general fund budgets are 2.3% in 2020, 1.5% in 2021, 4.2% in 2022, and 3% in 2023. Actions to attain and assure general fund budgetary solvency will require increases in revenue and/or reductions in borough expenditures will be necessary from 2020 – 2023.

TABLE 3. GENERAL FUND BUDGET PROJECTIONS: 2018 (Base Year) - 2023

BOROUGH OF GREENVILLE GENERAL FUND	BASE YEAR 2018 BUDGET	2019 BUDGET PROJECTION	2020 BUDGET PROJECTION	2021 BUDGET PROJECTION	2022 BUDGET PROJECTION	2023 BUDGET PROJECTION
GENERAL FUND REVENUE						
Real Estate Tax	\$1,257,583	\$1,231,123	\$1,243,000	\$1,243,000	\$1,243,000	\$1,243,000
Act 511 Taxes	671,798	578,550	605,000	612,000	617,000	623,000
Business Licenses & Permits	131,677	122,830	120,000	120,000	120,500	121,000
Non-Business Licenses & Permits	10,833	9,983	11,500	12,000	12,500	12,500
Fines & Forfeits	40,150	30,050	38,000	38,500	38,500	39,000
Interest Earnings	790	2,030	2,500	2,750	3,000	3,250
Rents & Royalties	44,090	43,490	45,000	45,000	45,000	45,000
Intergovernmental Revenue - State	169,220	175,302	21,700	22,000	22,000	22,500
Shared Revenue & Entitlements	156,989	176,621	154,000	150,000	150,000	150,000
Local Gov't Contracted Services	82,100	82,920	82,100	82,100	82,100	82,100
Charges for Services	65,673	110,181	67,000	69,000	69,000	71,000
Miscellaneous Revenue	113,097	117,810	125,000	131,000	137,500	144,000
Other Financing Sources	6,500	22,165	7,000	7,000	7,500	7,500
TOTAL – GENERAL FUND REVENUE	\$2,750,500	\$2,703,055	\$2,521,800	\$2,534,350	\$2,547,600	\$2,563,850

GENERAL FUND EXPENDITURES						
GENERAL GOVERNMENT						
Gen. Gov't - Legislative	\$ 2,125	\$ 1,085	\$ 2,125	\$ 2,125	\$ 12,743	\$ 12,743
Gen. Gov't - Administration	219,300	251,685	127,442	128,598	131,123	133,025
Gen. Gov't - Financial Admin.	33,622	33,791	36,748	36,864	37,779	38,395
Gen. Gov't - Tax Collection	21,511	19,396	21,932	22,150	22,375	22,600
Gen. Gov't - Legal Services	14,000	68,215	14,500	14,500	51,000	15,000
Gen. Gov't - Engineering Services	85,000	62,082	35,000	35,000	35,000	35,000
Gen. Gov't - Municipal Bldg.	22,950	22,900	23,900	24,355	24,840	25,340
TOTAL - GENERAL GOVERNMENT	\$ 398,508	\$ 459,154	\$ 261,647	\$ 263,592	\$ 314,860	\$ 282,103
PUBLIC SAFETY						
Public Safety - Police	\$851,528	\$851,822	\$911,419	\$909,440	\$923,440	\$929,605
Public Safety - Fire	584,658	570,101	588,535	593,105	603,823	610,225
Public Safety - Code Enforcement	40,264	26,872	40,411	40,633	40,694	40,785
Public Safety - Planning/Zoning	5,298	5,298	5,298	5,298	5,298	5,298
Public Safety - Crossing Guards	2,427	0	0	0	0	0
Public Safety - Stray Animals	0	0	0	0	0	0
TOTAL - PUBLIC SAFETY	\$ 1,484,175	\$ 1,454,093	\$ 1,548,198	\$ 1,551,036	\$ 1,575,841	\$ 1,588,525
PUBLIC WORKS						
Public Works - Highways	\$ 285,747	\$ 225,530	\$ 243,702	\$ 243,762	\$ 250,191	\$ 253,320
Public Works - Winter Maintenance	9,850	8,850	10,200	10,400	10,600	10,800
Public Works - Traffic Lights	10,700	9,700	11,100	11,355	11,500	11,600
Public Works - Street Lights	70,800	59,650	72,200	73,000	73,700	74,400
Public Works - Sidewalks/Curbs	1,000	1,000	1,000	1,000	1,000	1,000
Public Works - Vehic./Equipment Repairs	5,100	5,000	5,300	5,400	5,500	5,600
Public Works - Alleys/Guardrails	11,265	11,265	11,750	12,000	12,250	12,500
TOTAL - PUBLIC WORKS	\$ 394,462	\$ 320,995	\$ 355,252	\$ 356,917	\$ 364,741	\$ 369,220
PARKS AND RECREATION						

Parks & Recreation	\$ 47,536	\$ 51,237	\$ 49,500	\$ 50,500	\$ 51,450	\$ 52,480
Railroad Park	1,080	850	1,125	1,145	1,175	1,200
Library	5,000	1,500	5,000	5,000	5,000	5,000
TOTAL - PARK & RECREATION	\$ 53,616	\$ 53,587	\$ 55,625	\$ 56,645	\$ 57,625	\$ 58,680
DEBT SERVICE						
DEBT SERVICE - PRINCIPAL	\$ 267,003	\$ 271,111	\$ 245,000	\$ 235,000	\$ 240,000	\$ 245,000
DEBT SERVICE - INTEREST	44,512	39,532	32,673	26,382	21,331	15,722
FISCAL AGENT FEES	1,000	1,162	1,000	1,000	1,000	1,000
TOTAL - DEBT SERVICE	\$ 312,515	\$ 311,805	\$ 278,673	\$ 262,382	\$ 262,331	\$ 261,722
EMPLOYER PAID BENEFITS -PENSION CONTRIBUTION	\$ 33,194	\$ 52,471	\$ 33,860	\$ 34,200	\$ 34,500	\$ 34,900
INSURANCE - CASUALTY/SURETY	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600
OTHER FINANCIAL USES	\$ 350	\$ 350	\$ 500	\$ 500	\$ 500	\$ 500
INTERFUND OPERATING TRANSFERS	\$ 23,080	0	0	0	0	0
TOTAL – GENERAL FUND EXPENDITURES	\$ 2,750,500	\$ 2,703,055	\$ 2,581,820	\$ 2,573,312	\$ 2,658,412	\$ 2,643,638
GENERAL FUND BALANCE	0	0*	(\$60,020)	(\$38,962)	(\$110,812)	(\$79,788)

PART 3. CREATING SHORT AND LONGER-TERM FINANCIAL STABILITY

Actions to address general fund budgetary solvency and the capital improvements element of long-term solvency are presented in Part 3. Sections 241 and 256 of Act 199 provide the framework for the recovery plan amendment/exit plan. While Section 241 guided the development of the borough's initial recovery plan and subsequent amendments, Section 256 provides additional elements for use in the formation of an exit strategy. Specifically, Section 256 states that actions associated with any or all of the following may be considered.

- The sale, lease, conveyance, assignment or other disposition of the assets of the distressed municipality.
- Functional consolidation of or privatization of existing municipal services.
- The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality.
- Changes in the form of municipal government or the configuration of elected or appointed officials and employees as permitted by law.

The following six action items are inter-related, contingent and collectively designed to provide an opportunity for the borough to successfully and effectively exit distress. Their implementation very much depends on the exercise of political will by borough officials in 2019 to affirmatively and definitively act to set the foundation for short and longer term financial and operational viability.

Home Rule

Changes in the form of municipal government or the configuration of elected or appointed officials and employees as permitted by law is an element emphasized in Section 256 of Act 199 for consideration in the three-year exit plan.

The borough's recovery plan amendments have consistently encouraged consideration of home rule as an action to support the municipality's exit from distress. A home rule charter provides the borough with the ability to design a government structure that best meets its needs. It may incorporate components to define the general powers of the municipality, the organization of the borough's government, the municipal tax structure, procedures

or safeguards to assure due process, provisions for citizen participation, powers reserved for voters and mandates for administrative practices.

About 100 cities, boroughs and townships statewide have adopted home rule charters since the state enacted legislation in 1972. Financially distressed communities including Altoona, Nanticoke, Clairton and Plymouth Township have utilized the authority granted by Act 62 to create more flexibility in their tax structure by adjusting tax rates and adopting a governance structure rooted in professional management.

Over the past seven years, the borough has reorganized its administrative and operational structure to reduce general fund expenditures and maintain basic services. Given the current tax structure, over the next five years, the underlying tax base comprised predominately of real estate, local services and Act 511 taxes is expected to generate about \$2.5 million in general fund revenue. The gap between general fund revenue and general fund expenditures ranges from \$60,000 to \$110,000 from 2019-2023.

Over the last decade, changes in the state's non-property tax collection laws have changed the nature of municipal tax collection which strengthen the potential outcomes of adopting a more flexible taxing structure. Historically, local governments in Pennsylvania and across the U.S. have relied on real property taxes to fund local government services. Real estate taxes have provided a steady and consistent stream of revenue as property owners are subject to county administered tax sales, if taxes are not paid. Over the last ten years, with the implementation of PA Act 32, employers are required to withhold and remit Earned Income and Local Services taxes to countywide tax collectors. This change effectively shifted the reliability of revenue collections away from real estate to earned income and local services taxes.

Greenville has experienced this change especially over the last three years as real estate tax collection rates have declined 5.8% from 89.8% in 2015 to 84% in 2017 and earned income and local services taxes have been relatively steady. The borough's real estate tax collection rate deviates significantly from the 95% to 97% collection rates for non-financially distressed communities. One mill of a real estate tax levy should produce about \$32,000, but with an 84% collection rate is actually about \$5000 less. The value of outstanding real estate

tax at the end of the 2017 fiscal year was near \$204,000, about \$90,000 greater than the end of 2015. Relying on increases in real estate tax rates to support services going forward may become more challenging, if delinquencies remain steady or continue to rise.

The borough under Act 511 levies a 1.0% earned income tax on residents and non-residents and shares half of the revenue with the Greenville Area School District. Since 2015 the resident portion of the earned income tax has yielded \$330,000 to \$360,000 per year. The non-resident portion of the tax over the last several years has generated about \$70,000. From 2003 – 2016 resident and non-resident earned income tax payers paid an additional earned income tax levy authorized under Act 47 by the Mercer County Common Pleas Court. The additional levy for residents ranged from .7% in 2003 to .125% in 2016, while the additional levy for non-residents ranged from .5% in 2003 to .046% in 2016. Under home rule, only the resident portion of the earned income tax may be increased. Given recent past experience, a .1% increase in the earned income tax levied on residents under Act 62 could produce approximately \$66,000 to \$72,000.

In early 2018, Council, in accordance with Act 62 of 1972, the Home Rule Charter and Optional Plans Law, authorized a ballot question to initiate the home rule study process. In May 2018 the borough's electorate via a referendum approved a home rule study and elected seven members to a home rule study commission. The commission organized in early June 2018 and since that time has completed the "study" phase of its work. It expects to present its recommendation to the voters for a final decision through a possible referendum in the fall of 2019. A grant from DECD will support the legal and technical assistance required to complete the commission's work.

It is the recommendation of this plan that the home rule study commission propose a home rule charter that preserves Greenville's long established council-manager plan; provides the local legislative body with the ability to create a taxing structure that will adequately support the delivery of basic services, debt service obligations and an on-going annual allocation to capital improvements; and supports nationally recognized administrative and financial practices including but not limited to those put in place over the last 13 years.

Absent Home Rule -

In the event that the home rule study commission does not recommend a home rule charter that encompasses the recommended elements or the borough electorate does not approve a proposed charter, the borough to generate sufficient tax revenue to balance the general fund budget over the next five years must examine available options to increase real estate tax rates for special purposes once its 30-mill general purpose tax rate has been exhausted. The real estate tax special levy options most relevant to the borough at this time would be: seek court approval for an additional 5 mills for general purposes, add up to 8 mills to support street lighting and add up to 8 mills to fund gas, water and electric utility expenses.

The inherent difficulty of exercising this option is understood and is presented as the only short-term option that will permit the borough to exit distress by the end of the three-year period. The increase in the general purpose or special purpose real estate tax levies will have to factor in potential increases in delinquencies and the need to undertake or advocate at the county level for more aggressive current, delinquent and lienied real estate tax collection.

West Salem Police Services Agreement

The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality is an element emphasized in Section 256 of Act 199 for consideration in the three-year exit plan.

During 2019 the borough shall exercise its fiduciary responsibility to the borough's taxpayers and determine whether continued provision of police services to West Salem Township is financially feasible. The borough provides service to West Salem, a 37 square mile community located west of Greenville, 24 hours per day, 7 days per week. In 2017, West Salem Township cited concern over potentially becoming distressed like Greenville as the rationale for reducing its annual payment from \$91,759 to \$82,000 at the beginning of 2018. For 2019, West Salem agreed to pay \$82,820 for services, \$8,939 less than 2017.

The question of continued financial feasibility is supported when assessing the total annual cost of the police department. In 2019, the total general fund budget for the borough's police department is \$851,822 for operations and \$26,111 for police vehicle debt service. On a per capita basis, Greenville's 5,602 citizens will pay \$157 per year for police services, while West Salem's 3,459 residents will pay \$24 per year. Financial feasibility also becomes a question when considering that the lowest total annual estimated cost of compensation and benefits for just one full time police officer is estimated to be \$88,450 in 2019. West Salem's payment will not support the cost of one officer nor any of the costs related to vehicles, equipment and materials, facilities, insurance for vehicle, general liability, workers comp and professional liability, debt service or administrative/supervisory services.

As the borough works to contain costs in order to attain a balanced budget over the next 5 years, it should at minimum alleviate current and avoid any further subsidization of the cost of police services provided to West Salem Township. If West Salem fails to increase its payment to the borough to fully compensate the borough for the services it provides, the borough should discontinue the contract with West Salem Township. The borough police department will then be able to fully concentrate its efforts within its financial capacity on provision of police services to the citizens of Greenville.

Collective Bargaining Agreements

The execution, approval, modification, rejection, renegotiation or termination of contracts or agreements of the distressed municipality is an element emphasized in Section 256 of Act 199 for consideration in the three-year exit plan.

The borough will enter into negotiations with its three labor unions in 2019. The borough has been able to successfully negotiate coincidental four-years agreements with all of the bargaining units over the last several contract cycles. During the last round of negotiations, the borough and unions also came to agreement on terms within the adopted workforce limitations. Maintaining this framework going forward will support the borough's efforts to exit distress and maintain financial sustainability over the subsequent five years.

Fire Services

Changes in the form of municipal government or the configuration of elected or appointed officials and employees as permitted by law is an element emphasized in Section 256 of Act 199 for consideration in the three-year exit plan.

Boroughs in Pennsylvania generally rely on volunteer fire departments to provide fire protection services. According to DCED's *Local Government Fact Sheet* (2018), only thirty-one of 1,837 fire departments are paid. Greenville is one of the thirty-one municipalities established its paid fire department when both the residential population and commercial/industrial activity was greater. In 2019, the estimated total expenditures for fire department operations and debt service is \$586,202, a value that accounts for about 22% of the total general fund budget or almost half of the borough's 36.08 mill real estate levy. On a per capita basis, fire service in 2019 will cost about \$105. Generating sufficient revenue to support fire services has been, is and will be a challenge for borough officials. Over the past decade, the borough has increased the number of part-time fire personnel as full-time firefighters have retired as a cost containment measure. Local citizens demonstrated their support for the fire department in 2015 when it approved a special 3 mill real estate levy for fire service.

To exit distress and sustain financial solvency, the borough must find alternate local revenue resources for the short and longer term. Consequently, a priority action for the borough will be to assess the potential for providing fire service through an enterprise fund or municipal authority funded by a user fee. Through this action the costs of providing fire service within Greenville on a continuing basis would be financed or recovered primarily through users charges. User fees to fund municipal services are permitted under Section 1202 of the Pennsylvania Borough Code as well as the Pennsylvania Municipal Authorities Act of 1935. The authorization of a municipal fire service fee would be a more formal version of the membership fees/subscriptions already used by volunteer fire departments across Pennsylvania. The creation of a municipal authority to provide fire service with a governing body separate from borough council may become an acceptable vehicle through which a regional fire service could form.

The borough should rely on its experience with the development and implementation process associated with the storm water utility fee to determine the feasibility of a fire service fee. Action to evaluate the transfer the fire service function to an enterprise fund or municipal authority and establish a fire service fee shall be undertaken in 2019. Part of the study process should determine how the adoption of a fire user fee could result in a reduction in general purpose real estate tax. The borough should seek legal and technical assistance as necessary and appropriate and look to the experience of municipalities outside of Pennsylvania to implement this provision.

Long Term Solvency – Capital Infrastructure Improvements and Budgetary Solvency – Community and Economic Development

Two additional actions related to the conditions associated with the borough's financial distress determination are also identified for implementation as part of the borough's exit plan.

Long Term Solvency – Capital Infrastructure Improvements

Although the borough in the past seven years has adopted a multi-year capital improvements budget, it has not had sufficient financial resources to support an on-going allocation to a capital budget. Instead, capital improvements have been undertaken only when an “emergency” such as the collapse of the Bracken Alley storm sewer occurs or the expenditure such as the replacement of police vehicles is “necessary” or “essential” for service provision. Greenville does not currently meet the nationally recognized standard for an annual capital improvements program. At best, the borough should allocate 10% of its general fund budget to maintain, replace or acquire infrastructure. In 2019, a 10% allocation would be about \$250,000. Given that the borough's sanitary and storm sewer projects are associated with separate components of the borough's organization, the allocation to the general fund budget could be reduced to represent the needs related to public safety, public works, administration and recreation. The recommendation for the years 2019 – 2025 is for the borough to either raise its general purpose mill rate by three to four mills or issue short term debt in the range of \$500,000 - \$600,000

to fund police, public services and administrative capital improvements. In 2025 when the bond issue is fully paid, the borough will then have an opportunity to allocate about \$260,000 to capital improvements each year from its general revenues or issue \$2.5 - \$3 million in new general obligation bonds to implement a multi-year capital improvements program.

Budgetary Solvency – Community & Economic Development Assessment/Strategy

A common concern since the borough was declared distressed in 2002 has been: Does the borough have the capacity to increase its tax base to adequately provide basic services after it exits distress? A corollary to that question is: Are there viable community and economic development or redevelopment options available to the borough to facilitate growth of the borough's tax base? These questions become more urgent as the borough enters its Act 199 mandated three-year exit from distress timeframe.

To develop an understanding of the borough's community and economic development prospects, historical, present and future circumstances should be assessed through a study conducted by certified professional planner. Such a study would contribute to the borough's broader goal of undertaking an implementable comprehensive plan to replace the comprehensive plan completed in the early 2000s. It would also serve as a companion to the federal Environmental Protection Agency's on-going regional hazardous condition assessment and remediation study of properties within the borough including the Trinity Industries property, the former sand and gravel plant on Clinton Street, the Bessemer Building, the East Side Elementary School, a former dairy on Canal Street and the former St. Michael's School.

What will the economic development study provide? It will establish a data-driven understanding of the community's economic ecosystem, analyze opportunities and challenges, and work with community stakeholders to develop strategies that can be implemented by the business/enterprise community, and the borough's administrative staff going forward. The process will take a community planning approach to the development of strategies, using both quantitative and qualitative data, with input from a steering group, to arrive at sound decisions that have the support of both the business community and the community leadership. The study will

also consider whether the borough should create an economic development agency to implement projects and programs and assess the prospects currently offered through existing state and regional economic development organizations. The action items contained in this recovery plan amendment/exit plan will also be evaluated for their current applicability to Greenville's circumstances.

This study should commence in early 2019 and be completed prior to the end of 2019. Funding has been requested to support the work. A portion of the LGA summer intern's time may be assigned to assist with the data gathering process.

PART 4. WORKFORCE LIMITATIONS

Act 199 requires workforce limitations be adopted for all collective bargaining units within the financially distressed municipality. The requirement specifies that the total cost for compensation and benefits be established for each year of the five-year projection period for all collective bargaining units. Workforce limitations adopted by the recovery plan amendment prior to the last round of contract negotiations in 2015 extend through 2019. The borough has successfully operated within the workforce limitations every year since their adoption.

TABLE 4. WORKFORCE LIMITATIONS: 2019 - 2023

WORKFORCE LIMITATIONS*	2019 Budget	2020 Projected	2021 Projected	2022 Projected	2023 Projected	5-Year Total
Police Employees						
Wages/Salaries	\$501,811	\$510,811	\$509,301	\$518,301	\$516,791	\$2,557,015
Non-Health Insurance Benefits	70,139	71,191	70,933	71,983	71,855	356,101
Health Insurance Benefits	142,317	152,308	147,139	152,696	157,039	751,499
Pension	62,212	73,514	76,514	81,514	86,514	380,268
Sub-Total:	\$776,479	\$807,824	\$803,887	\$824,494	\$832,199	\$4,044,883
Fire Employees						
Wages/Salaries	\$327,153	\$318,574	\$320,346	\$325,246	\$327,938	\$1,619,257
Non-Health Insurance Benefits	71,121	83,279	83,559	84,406	84,973	407,338
Health Insurance Benefits	85,681	52,887	52,887	53,032	53,032	297,519
Pension	54,804	62,127	66,127	70,127	75,127	328,312
Sub-Total:	\$538,759	\$516,867	\$522,919	\$532,811	\$541,070	\$2,652,426
Public Service Employees						
Wages/Salaries	\$143,589	\$146,776	\$147,044	\$150,044	\$150,168	\$737,621
Non-Health Insurance Benefits	27,088	27,616	27,655	28,155	28,229	138,743
Health Insurance Benefits	47,330	51,104	51,104	51,276	52,762	253,576
Pension	8,967	9,813	10,614	11,234	12,245	52,873
Sub-Total:	\$226,974	\$235,309	\$236,417	\$240,709	\$243,404	\$1,182,813
GRAND TOTAL:	\$1,542,212	\$1,560,000	\$1,563,223	\$1,598,014	\$1,616,673	\$7,880,122

*If the number of full-time personnel in a department is reduced at any time, the total budgeted value of the position(s) will be deducted from the total workforce limitation for the respective department.

The workforce limitations for 2019-2023 are presented in Table 4. In 2019, the workforce limitations represent

57% of the total general fund budget. For the years 2020-2023, workforce limitations respectively comprise 59%, 59.3%, 59% and 60.8% of the total projected general fund budget. The average portion of the workforce limitations for the five years for police is 51%, fire - 34% and public service - 15%. The total cost of employee compensation and benefits when the administrative portion of the general fund budget is added to the total cost ranges from 64% to 68% for the five-year period.

PART 5. ACTION ITEMS – RETAINED FROM EXISTING RECOVERY PLAN

Action items carried forward from the prior recovery plan amendment are presented by governmental function. Some have been met and are included to reinforce the importance of maintaining the action taken; others are included for consideration over the next three years.

GENERAL GOVERNMENT

1. The borough *on an annual basis* shall use zero based budgeting and service level analysis to identify the level(s) of basic services that are affordable within the borough's capacity to generate revenues. Continued consideration of alternative strategies to achieve budgetary, cash, long term and service level solvency and assure long term financial self-sustainability shall serve as the foundation for the borough's budgetary planning and financial decision making processes. Such efforts will facilitate the borough's compliance with statutory requirements contained in PA Act 199 of 2014 and provide a sound foundation for exiting financial distress.
2. Changes in the organizational structure and personnel complement in the past seven years have strengthened the borough's potential for making the changes necessary to exit distress. The changes in administrative structure and the increased capacity to perform shall be maintained across the organization with adherence to nationally recognized human resource management principles and practices. Updating and maintaining the borough's computer systems on a periodic basis to support its financial management, administrative and operational activities is also recognized as an essential component of this action item.
3. The borough shall seek grant funding from DCED to implement relevant aspects of this plan.
4. The borough shall consider public/private partnerships to provide for the health, safety and welfare of the community.
5. The borough shall annually participate in the internship program administered by the Local Government Academy to assist with projects that support the borough's efforts to exit distress.

FINANCIAL MANAGEMENT

6. Real Estate Tax Collection Rates - Collection rates for current year municipal real estate taxes have been 11% to 13% lower than the norm for Pennsylvania municipalities. The borough shall actively monitor annual real estate tax collections, identify factors that affect current and delinquent collection rates and implement practices to increase collection rates from its present level of 84% to 95% for the current real

estate tax levy. Such an increase in the current real estate tax collection rate could generate about \$140,000 in revenue each year.

7. Current Real Estate Tax Transfers - To improve the borough's cash management, the real estate tax collector shall remit tax deposits on a bi-weekly instead of monthly basis. During discount and face periods, deposits should be made weekly. Reporting related to collections and deposits shall continue on a monthly basis.
8. Current Year Residential Real Estate Tax Reminder Notices – The borough, in late September or early October of each year, shall notify property owners who have not paid real estate taxes to encourage payment before the end of December. The notices shall conform to state rules and regulations.
9. Delinquent Real Estate Tax - (1) The borough shall maintain a listing of delinquent properties and continue its efforts associated with its rental inspection program to encourage real estate tax payments that are overdue. (2) The borough shall determine which properties within the borough are most severely delinquent and initiate discussions with the school district and county to identify parcels for sheriff's or judicial sale. The county, borough and school district shall share the cost proportionate to the benefit derived from such sales. (3) The borough shall also investigate the options available through county and/or regional agencies to move severely delinquent parcels back onto the tax rolls.
10. PILOT PAYMENTS - Using the Real Estate Tax Exempt Study as a basis, the borough shall conduct an annual audit of tax exempt property and work to expand PILOT (payment in lieu of tax) payments where feasible as well as maintain participation by institutions and organizations that have contributed in the past. The borough shall consider linking requests for PILOT contributions to support for specific services such as fire, police or public works services or planned capital projects, equipment and/or vehicle acquisitions.
11. The Borough shall consider the feasibility of accepting debit and/or credit cards for payment of current year real estate taxes, the storm water utility fee, and fire and safety inspection services and implement a system, if an efficient and effective system is identified and transaction costs are paid by the tax or fee payer.
12. Annual Audit - Borough Council shall periodically issue an RFP for auditing services to obtain the most cost effective and cost-efficient contract for the borough.
13. General Operating Budget - For each department's expenditure area of the budget, the department heads shall present commentary to substantiate their expenditure requests. The substantiation shall conform to a

prescribed format developed by the Borough Manager and shall include a statement of need, the volume and nature of work to be performed, supporting data for estimated costs, and a statement of benefits to be achieved.

14. Fund Balance - Borough Council shall maintain a fund balance policy that designates that any remaining general fund revenue at 12/31 each year will be allocated to maintain an emergency or “rainy day” fund, support capital improvements and acquisitions and/or implement plan action items. The borough shall not use prior years’ fund balance to support operational expenditures.
15. Consistent with the provisions of PA Act 199 of 2014, the borough eliminated its reliance on the court authorized resident and non-resident earned income tax levies in a series of steps prior to 2018. During the course of the three-year exit plan, the borough shall not seek court authorization to raise real estate, Act 511 or local services tax rates.
16. To maintain and sustain financial solvency, the borough shall balance its general fund budget by reducing operating expenses, increasing the efficiency of revenue collection processes, and/or identifying and authorizing new revenue sources.
17. As necessary and appropriate, the borough shall seek citizen approval through voter referendum to adjust the special real estate levy to fund the fire service.
18. The borough shall review the options for special real estate tax levies as a way to generate stable and consistent revenues.
19. The borough shall consider increasing the real estate general purpose mill rate to fund capital improvements identified in the annual capital improvements plan from 2020 – 2025. A standard for an annual operating budget allocation for capital improvements in financially stable communities is 10% of the total value of the General Fund budget. The increase in the general purpose mill rate shall continue until the 2015 Bond Issue principal and interest obligations are fully paid in 2025 when the borough has an opportunity to determine how capital improvements will be supported.

DEBT SERVICE

20. The borough shall adopt a debt policy that stipulates that annual debt service (principal and interest) shall not exceed 10% of the total general operating budget unless prospective funding to support debt service is identified prior to incurring debt that will exceed the 10% limit. Decisions with respect to long-term borrowing or other means of capital financing shall be made in accordance with the borough’s capital

improvements program with loan and bond maturity schedules designed so that they do not exceed the expected life of the projects financed by such bonds.

CAPITAL IMPROVEMENTS/INFRASTRUCTURE

21. Capital Improvements Plan – The borough shall annually develop, review and adopt a comprehensive 5-year capital improvements plan for all physical assets. This program should include an annual prioritization of facility, vehicle and equipment needs, along with the identification of funding alternatives. The annual capital budget shall be integrated into the annual general operating budget. The capital improvements plan, prior to adoption will be presented for citizen comment.

PUBLIC SAFETY – POLICE

22. The Police Department's OIC in conjunction with the Borough Manager shall develop an optimal and efficient staffing plan for the department utilizing full time and part time police officers to fill regular work shifts. Removal of any constraints associated with the scheduling of part-time personnel shall be addressed during the next round of contract negotiations.
23. The Police Department's OIC shall actively monitor all costs related to the police department and review any significant budget variances with the Borough Manager on a monthly basis.
24. The Police Department's capital plan and budget for vehicle and equipment replacement shall be updated annually. The department's vehicle and equipment maintenance records shall be used as the basis for the Borough's replacement schedule for police vehicles and equipment.
25. The borough shall review its police mutual aid agreements with adjoining governmental entities and renegotiate such agreements to achieve a balance between services rendered and services received.

PUBLIC SAFETY – FIRE

26. The Fire Department's OIC shall actively monitor all costs related to the Fire Department and review any significant budget variances with the Borough Manager on a monthly basis.
27. The Fire Department's OIC in conjunction with the Borough Manager shall develop an optimal and efficient staffing plan for the Fire Department. Constraints in the existing fire collective bargaining agreement that restrict implementation of the plan shall be addressed during the next round of contract negotiations.

28. The Fire Department's capital plan and budget for vehicle and equipment replacement shall be updated annually. The department's vehicle and equipment maintenance records shall be used as the basis for the borough's replacement schedule for fire vehicles and equipment.
29. The borough shall increase its efforts to expand the volunteer fire fighting force by actively recruiting Thiel College students and local residents. Incentives for volunteer service shall be identified and pursued.
30. The borough shall encourage greater participation of volunteers in the provision of emergency fire response. The borough shall explore the potential for the Mercer County Regional COG to develop a program to encourage greater participation of volunteers.
31. The borough shall review its fire mutual aid agreements with adjoining governmental entities and renegotiate such agreements to achieve a balance between services rendered and services received.
32. The borough shall work to sustain the waiver of the annual hydrant and standby fees from the Greenville Municipal Authority.
33. The borough shall continue to explore the feasibility of billing for emergency medical first responder services.

PUBLIC SERVICES

34. The Public Services Director shall actively monitor all costs related to the Public Services Department and review any significant budget variances with the Borough Manager on a monthly basis.
35. The Public Services Director in conjunction with the Borough Manager shall develop an optimal and efficient staffing plan for the Public Services Department. Constraints in the existing collective bargaining agreement that restrict implementation of the plan shall be addressed during the next round of contract negotiations.
36. The Public Services Department's capital plan and budget for vehicle and equipment replacement shall be updated annually. The department's vehicle and machinery/equipment comprehensive maintenance records shall be used as the basis for the Borough's replacement schedule for public works vehicles and machinery/equipment.
37. The Public Services Director shall develop a multi-year pavement management program which focuses on the maintenance, restoration and reconstruction of municipal streets, roads, and alleyways.
38. The Borough shall comply with MS4 which requires that 25% of the municipality's storm sewer system be cleaned each year.

39. The borough shall study the feasibility of contracting out or cooperatively providing with neighboring municipalities public works services and determine the minimum staffing necessary to provide services which are not contracted.

EMERGENCY MEDICAL SERVICES

40. The borough shall continually assess the adequacy of emergency medical services available to the borough and take action as necessary to facilitate partnerships between non-profit and private sector organizations on behalf of the community.

PLANNING AND DEVELOPMENT

41. It has been over ten years since the borough participated in a comprehensive planning process. Sound national municipal planning practice recommends that a comprehensive plan be undertaken in the near future to provide a foundation for community and economic development. The borough shall seek a DCED funding to support the development of an implementable comprehensive plan. Existing community groups should be part of any planning activity.
42. Over the past several years, the borough has assessed the nature and magnitude of delinquent and/or deteriorated housing within the community and believes that re-constituting the borough's residential housing stock is a critical factor in the long-term financial viability of the borough. The borough shall consult with state and/or county agencies to develop and fund a program to address the issues posed by delinquent and deteriorated residential properties.
43. The borough shall work closely with Mercer County Regional Planning Commission, the Mercer County Housing Authority, the Mercer County Community Action Partnership and other agencies that provide housing assistance to coordinate the efforts of various long-term planning and economic and community development programs in the borough and the region.
44. The borough shall develop a home ownership marketing strategy to encourage existing renters to purchase their homes and to attract new residents to move into Greenville and purchase their homes. The borough shall develop a marketing partnership with real estate firms to accomplish this.
45. The borough shall establish a revolving loan fund for an owner-occupied home financing program. The new program shall encourage home purchases, rehabilitation to meet code requirements, and improvements to increase home values. Such a program shall not be targeted on the basis of homeowner income levels. The borough shall consider the feasibility of capitalizing such a program through an allocation of its Community Development Block-Grant funds or Pennsylvania Housing Finance Agency

funds, to provide a partial guarantee or credit enhancement for tax-exempt bank bond issue. The proceeds from such a bond issue may be used to provide low-interest loans to middle income individuals and families. The borough may consider submitting an application to the Pennsylvania Communities of Opportunity Program for funding to capitalize such a program. The borough shall assess their administrative options for this program and consider the potential for involvement of the Mercer County Regional Planning Commission or comparable agency.

46. The borough shall establish a vacant property review committee or commission, to provide leadership and assistance toward the demolition of abandoned or derelict structures and the marketing and/or making available of land for development to interested parties. The borough shall encourage the county through the Mercer County Regional Planning Commission to develop a regional land bank agency comprised of the borough and surrounding communities to acquire, maintain, and return problem properties to productive use either through direct sales, transfer or lease.
47. The borough shall consider the authorization of LERTA tax abatements for home improvements or rehabilitation shall be considered over a five-year tax abatement period in conjunction with the school district and Mercer County on new real estate taxes resulting from home improvements or rehabilitation.
48. Economic Development/Trinity Industries - The borough shall aggressively pursue the creation of a Greenville Partnership, involving key economic development entities within the region such as the Greenville Reynolds Development Corporation and Penn Northwest Corporation and within the partnership identify an entity to provide administrative support for economic development activities. The economic development partnership shall spearhead positive movements with Trinity Industries toward the site redevelopment, marketing, public funding and appropriate reuse. The partnership shall work with Trinity Industries to develop an incentive-based agreement for marketing, recruitment and development of the Trinity Industries site. The borough shall apply to the state for enterprise zone designation for the Trinity Industries site and pursue new communities funding for its central business district. And, the borough shall pursue a tax-sharing agreement with Hempfield Township, whereby any taxes generated from any development on the Trinity Industries site in either jurisdiction will be shared on a pro rata land area formula. Such an agreement should eliminate municipal competition for new development and encourage mutual support.
49. The borough shall pursue the creation of a special fund to provide the local match to qualify for a variety of state and federal grant programs for economic development projects.

50. The borough shall maintain close and good relations with stable employers within the borough; encourage a partnership with the leadership of both Thiel College and UPMC Horizon in order to access their talents, energy and vision.
51. The Borough shall review all possible financial incentives permitted under state law to facilitate economic development.
52. Borough Council shall appoint an Economic Development Committee in cooperation with the Borough Planning Commission to actively follow the recommendations of the Implementation Strategy as outlined by the Comprehensive Plan of 2004.
53. The Greenville Borough Planning Commission shall make recommendations to borough Council as to the prioritization of the implementation of recommendations contained within the Greenville Borough and Hempfield Township Joint Comprehensive Plan. A short-term and long-term work plan or strategy for implementation of the recommendations should be developed. The Implementation Strategy Plan should be reviewed and updated annually.
54. The Borough Planning Commission shall review the Borough Zoning Ordinance relative to the recommendations made for revisions in the Comprehensive Plan and propose amendments where applicable.
55. The borough shall coordinate an update of its zoning ordinance with Hempfield Township to implement the joint comprehensive plan.
56. The borough shall utilize existing local, county, regional and state agencies and organizations to develop realistic economic development goals for the community.

RECREATION AND LEISURE SERVICES

57. The borough shall seek and/or maintain partnerships with local organizations and agencies provide recreational and leisure services and programs.

AUTHORITIES

58. The borough shall complete the transfer of the storm water utility to the sanitary authority during 2019.
59. The borough shall discuss with the water authority the potential for combining collection efforts on delinquent accounts through water shut offs. In addition, the borough shall request the municipal authority to post payments proportionally to both water and sewage.

60. The borough shall enter discussions with Hempfield and West Salem townships relative to the 25% and 15% retentions for billing and maintenance, since more of the flat fee is for treatment as opposed to line maintenance. In addition, there may be some economy of scale if the borough would increase its staffing by one person for maintenance of all three municipalities and retain the maintenance costs from both Hempfield and West Salem.

PERSONNEL/COLLECTIVE BARGAINING

In addition to the workforce expenditure limitations for 2019-2023 presented in Part 4 (page 25) the following action items relate to personnel and collective bargaining.

61. The borough shall use professional legal assistance for labor negotiations. The borough shall retain an attorney with extensive experience in public labor relations for its collective bargaining activities with the fire, police and public service unions. The borough has previously retained Christopher Gabriel of Cafardi Ferguson Wyrick Weis & Stotler. Whether the borough continues to retain current counsel or chooses another firm, it shall use qualified labor counsel for all contract negotiations. In addition to using the counsel for support in collective bargaining, the borough shall also retain such counsel to advise the borough when grievances arise.
62. Police Pension Plan – Currently, participants in the police pension plan do not contribute to the pension plan. Going forward, plan members shall contribute up to 5% of their earnings in order to maintain the integrity of the pension plan to create a buffer against any future decrease in plan assets resulting from annual plan earnings that are less than anticipated.
63. Police and Fire Pension Fund Excess Interest Allocation – Current police and fire collective bargaining agreements indicate that any interest earned in excess of the anticipated interest for the respective funds should be allocated to the plan members or used to fund the borough's MMO. In the past, the excess interest in each of the plans has been used to partially fund the unfunded liability in the fire pension fund and provided individual allocations to police pension plan members. The borough should work to eliminate the allocation of excess interest earnings to individual plan members through the collective bargaining agreements.
64. Other Post-employment Benefits (OPEBs) - The Borough currently provides police and fire retirees who were employed prior to January 1, 2012 with healthcare benefits. In 2019, the budgeted cost for police and fire retirees is approximately \$23,614. The borough's policy to not provide post-employment benefits to new hires shall remain unchanged for the foreseeable future.

APPENDIX A -
BOROUGH OF GREENVILLE
Financial Condition Report
(Fall 2018)

**BOROUGH OF GREENVILLE
MERCER COUNTY PENNSYLVANIA**

**Report in accordance with
Municipalities Financial Recovery
Act – Omnibus Amendments
Section 255 of Act 199 of 2014**

**Prepared by
Mary Jane Kuffner Hirt
Act 47 Coordinator**

**Submitted:
Wednesday, September 19, 2018**

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INTRODUCTION

This report is presented in accordance with sections 254 - 256 of Act 199, the Municipalities Financial Recovery Act – Omnibus Amendments. It essentially documents the Borough of Greenville’s existing financial condition and progress towards exiting financial distress and identifies the most reasonable option for the borough under Act 199 based on current circumstances, a determination that ***Finding (4) A three-year exit plan in accordance with section 256 is warranted.***

The report also provides contextual information about the original factors that led to the state’s declaration of financial distress in 2002, the workforce expenditure limitation requirements imposed by Act 133 of 2012 and their effect on the borough, the provisions of Act 199 of 2014 regarding the limitation on distress status and consequent alternatives, procedures, and implementation processes. The report should act as a reference for the community as well as document the Act 47 coordinator’s determination under Section 254 – Limitation on Distress Status.

This document will be submitted to the PA Department of Community and Economic Development at the conclusion of a review and comment period by the Borough of Greenville’s elected and appointed officials and the public. Written as well as oral comments will be taken as part of the review process according to the time line set forth in the “Notice of Filing/Meeting Schedule for Public Comment.”

As the Act 47 Coordinator, I have always appreciated the borough’s leadership willingness to work with me in the fulfillment of the state’s requirements and look forward to continued collaborative efforts as this and future documents are developed.

FINAL REPORT FINDING:

In accordance with Section 255(a) of PA Act 199 of 2014, Municipalities Financial Recovery Act Omnibus Amendments, as Act 47 Coordinator for the Borough of Greenville, I have determined that:

- A three-year exit plan in accordance with Section 256 is warranted for the Borough of Greenville Mercer County PA. This finding requires that the coordinator shall within under 90 days of the public meeting or filing of the final report under Section 255 (c)(4), whichever is later, prepare an exit plan. The exit plan prepared by the Coordinator shall contain such elements as may be necessary to ensure termination of distressed status after three years.
- At this time, two provisions, Section 255.1(1) and Section 255.1(4) under Section 255.1 Termination of Status **have not** been met.

(1) Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act.

(4) The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after termination of distressed status.

Subsections 255.1(1) and Subsection 255.1(4) will be addressed in the exit plan. The remaining subsections of Section 255.1, Subsection 255.1(2) regarding municipal debt has been satisfied and Subsection 255.1(3) regarding claims and judgments was not germane to the Borough of Greenville's original designation of financial distress.

Mary Jane Kuffner Hirt
Act 47 Coordinator
Borough of Greenville
September 19, 2018

NOTICE OF FILLING/MEETING SCHEDULE FOR PUBLIC COMMENT BOROUGH OF GREENVILLE MERCER COUNTY PA

A report has been filed in accordance with Act 199 of 2014, the Municipalities Financial Recovery Act – Omnibus Amendments, finding that a 3-year exit plan is warranted in accordance with Section 256. The borough has made significant and sufficient progress to date and should be able to exit financial distress within the 3-year period covered by the exit plan. The report pursuant to Act 199 of 2014 is on file at the Borough of Greenville municipal office, 125 Main Street, Greenville, PA 16125

The deadline for submission of written comments by the public is **4:30 pm, Wednesday, October 3, 2018**. Written comments should be directed to:

Mary Jane Kuffner Hirt
Act 47 Coordinator
c/o Borough of Greenville
125 Main Street
Greenville PA 16125

At this time, two provisions, Section 255.1(1) and Section 255.1(4) under Section 255.1 Termination of Status have not been met:

- (1) Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act; and
- (4) The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after termination of distressed status.

Subsections 255.1(1) and Subsection 255.1(4) will be addressed in the exit plan. The remaining subsections of Section 255.1, Subsection 255.1(2) regarding municipal debt has been satisfied and Subsection 255.1(3) regarding claims and judgments was not relevant to the Borough of Greenville's original designation of distress.

Public comments about the **Financial Condition Report** will be received at the regularly scheduled public meeting of the Greenville Borough Council on Monday, October 8, 2018 at 7 pm in Council Chambers, 125 Main Street, Greenville PA 15125.

Mary Jane Kuffner Hirt
Act 47 Coordinator -
Borough of Greenville

Background – Designation of Greenville Borough as Financially Distressed

Greenville Borough Council petitioned the PA Department of Community and Economic Development (DCED) for a determination of financial distress on February 20, 2002 under Act of 1987 P.L. 246 No. 47. The purpose of Act 47 is “to foster the fiscal integrity of municipalities so that they provide for the health, safety and welfare of their citizens; pay principal and interest on their debt obligations when due; meet the financial obligations to their employees, vendors and suppliers; and provide for proper financial accounting procedures, budgeting and taxing practices.”

The Secretary of DCED following a financial condition assessment and public hearing declared the Borough of Greenville financially distressed on May 8, 2002. At that time, current financial conditions raised “serious doubts as to the ability of the Borough to (1) pay obligations to both creditors and/or employees when due, and (2) continue to provide basic municipal services to the citizens of the Borough” (Fred Reddig, Hearing Officer’s Report, no page). In addition, “ineffective oversight and financial mismanagement on the part of Borough officials” were cited as contributing factors by the DCED consultant who conducted the financial assessment.

DCED’s determination of financial distress was based on 4 of 11 criteria specified in Subchapter 1, Section 201 of Act 47. The borough’s financial circumstances met criteria 1, 2, 3 and 7:

- **Criteria 1:** The municipality has maintained a deficit over a 3-year period, with a deficit of 1% of more in each of the previous fiscal years.
- **Criteria 2:** The municipality’s expenditures have exceeded revenues for a period of 3 years or more.
- **Criteria 3:** The municipality has defaulted in payment of principal or interest on any of its bonds or notes or in payment of rentals due any authority.
- **Criteria 7:** The municipality has accumulated and has operated for each of two successive years a deficit equal to 5% or more of its revenues.

Four major and two other factors also provided support for Greenville Borough’s designation as a financially distressed municipality. Those factors are outlined below.

Governmental and Proprietary Funds Deficits - A history of year-end deficits ranging from 13% - 92% over the six years, 1996 – 2001, existed in the Borough of Greenville. The annual deficits are presented in Table 1.

**TABLE 1. SUMMARY - ALL GOVERNMENTAL AND PROPRIETARY FUNDS 1996-2001
REVENUE AND EXPENDITURE COMPARISON**

YEAR	REVENUES	EXPENDITURES	DEFICIT	DEFICIT AS % OF TOTAL REVENUE
1996	\$3,029,920	\$3,474,847	(\$444,927)	15%
1997	\$3,137,596	\$3,536,428	(\$398,832)	13%
1998	\$3,054,984	\$3,587,662	(\$532,678)	17%
1999	\$3,123,849	\$3,975,216	(\$851,367)	27%
2000	\$3,674,730	\$7,038,900	(\$3,364,170)	92%
2001	\$3,779,596	\$4,685,698	(\$906,102)	24%

Projected Unfavorable Financial Position – The financial analysis projected an unfavorable financial position for 2002. The operating budget was unbalanced and did not adequately address the cumulative deficit or the restoration of the bond and non-resident earned income tax funds. The 2002 fiscal year opened with a negative fund balance of \$1,062,066. The borough on January 1, 2002 owed \$667,337 to the 2000 Bond Fund, \$325,000 to the Non-Resident Earned Income Tax Fund and \$83,000 to the Greenville Sanitary Authority Capital Fund. The repayment of the 2001 Tax Anticipation Loan was included as part of the 2002 general fund budget debt service as was the restoration of three special revenue funds in the amount of \$1,372,337. By the end of 2002, the borough was expected to have a negative fund balance (deficit) in excess of \$2,700,000.

Ineffective Financial Management Practices – The Borough's Auditor in testimony at the public hearing in 2002 reported that the Borough (1) had a pattern of over-estimating revenues and under-estimating expenditures which produced annual general fund deficits; (2) had ineffective management controls over the administration and accounting for bond proceeds and non-resident tax funds; (3) lacked adequate internal controls for financial reporting systems; and (4) the elected and appointed officials demonstrated an inability to produce or review interim financial reports in a timely manner.

Tax base erosion - The closure of Trinity Industries, a major employer with about 1,800 employees in 1999, caused a decline in earned income and occupational privilege tax revenues.

Other concerns -The near exhaustion of the Borough's general obligation borrowing capacity and the absence of a capital improvements plan to address infrastructure (facilities, roads, equipment and vehicles) needs were also noted by the Borough's Auditor during the Act 47 hearing. The Borough had \$4,234,557 in debt with \$3,670,000 associated with the 2000 Bond Issue, \$560,084 in short term notes and a \$31,557 liability for employee compensated absences. In 2000 only \$300,000 in general obligation borrowing capacity remained.

PA Act 133 Workforce Expenditure Limitations

In July 2012 and 2014, the Pennsylvania General Assembly amended Act 47, the Municipalities Financial Recovery Act. The recovery plan amendments adopted by the Borough of Greenville in 2015 and 2016 conformed to the statutory requirements set by Section 241 (11) to establish workforce expenditure limitations for the years 2015 - 2019 for police, fire and public service personnel.

The workforce limitations in 2015 set the total annual expenditures for compensation and benefits for each employee group for the five-year projection period, 2015-2019, and were extended to 2021 in 2016. Workforce limitation expenses were categorized as wages/salaries, non-health insurance benefits, health insurance benefits and pensions. The current Municipal Financial Recovery Act stipulates that a limitation be set on total expenditures for compensation and benefits for each employee group and acknowledges that allocations of cost across the components of the compensation and benefits may vary as a consequence of the collective bargaining

process. Past and future workforce limitations anticipate that the borough will act to contain personnel expenses as part of its strategy to exit distress and maintain financial stability.

To assure the integrity of the objective of workforce expenditure limitations, the recovery plan amendment stipulates that any cost savings realized through any reduction of personnel shall be considered a reduction in the total cost of personnel for the affected department. In addition, the plan amendment states that the Borough shall not add full-time or part-time personnel without offsetting increases in revenue or reallocation of personnel costs within functional areas. Non-union workforce expenditure limitations were also initiated as part of the 2015 recovery plan amendment. The workforce expenditure limitations as adopted are presented in Table 2.

Current collective bargaining agreements with the police, fire and public service employee unions are for four-year terms, January 1, 2016 – December 31, 2019. All contracts conform to the workforce limitations and recovery plan action items adopted by the Borough in 2016. The police, fire and public services unions essentially agreed to comparable terms. The borough is relying on a combination of two annual bonus payments and two modest wage/salary increases over the four contract years. Employee contributions to health insurance will rise to 20% of the premium and share in the cost of higher annual deductibles. A wage differential for the first two years of employment were maintained for any new hires versus existing employees, longevity payments

TABLE 2. PA ACT 133 WORKFORCE EXPENDITURE LIMITATIONS: 2015-2019

	2015 Budget	2016 Projected	2017 Projected	2018 Projected	2019 Projected	5-Year Total
Non-Union Employees						
Wages/Salaries	\$187,130	\$187,130	\$194,330	\$194,330	\$201,530	\$964,450
Non-Health Insurance Benefits	22,499	22,499	23,766	24,171	24,648	117,583
Health Insurance Benefits	31,583	32,513	33,485	34,501	35,564	167,646
Pension	5,765	5,765	5,986	6,087	6,207	29,810
Sub-Total:	\$246,977	\$247,907	\$257,567	\$259,089	\$267,949	\$1,279,489
Police Employees						
Wages/Salaries	\$517,652	\$517,652	\$528,358	\$533,443	\$543,942	\$2,641,047
Non-Health Insurance Benefits	61,000	61,000	62,311	62,926	64,209	311,446
Health Insurance Benefits	119,598	124,536	129,701	135,099	140,744	649,678
Pension	71,858	71,858	73,442	74,149	75,608	366,915
Sub-Total:	\$770,108	\$775,046	\$793,812	\$805,617	\$824,503	\$3,969,086
Fire Employees						
Wages/Salaries	\$315,327	\$315,327	\$324,162	\$329,484	\$338,317	\$1,622,617
Non-Health Insurance Benefits	73,367	73,367	75,412	76,657	78,722	377,525
Health Insurance Benefits	63,076	65,139	67,298	69,554	71,914	336,981
Pension	46,335	46,335	47,656	48,261	49,564	238,151
Sub-Total:	\$498,105	\$500,168	\$514,528	\$523,956	\$538,517	\$2,575,274

Public Service (AFSCME) Employees						
Wages/Salaries	\$226,927	\$226,927	\$234,348	\$237,748	\$245,217	\$1,171,167
Non-Health Insurance Benefits	38,243	38,243	39,749	40,460	42,014	98,295
Health Insurance Benefits	56,035	58,065	60,186	62,404	64,725	198,709
Pension	19,038	19,038	19,667	19,958	20,594	301,415
Sub-Total:	\$340,243	\$342,273	\$353,950	\$360,570	\$372,550	\$1,769,586
GRAND TOTAL:	\$1,855,433	\$1,865,394	\$1,919,857	\$1,949,232	\$2,003,519	\$9,593,435

were frozen for existing employees and eliminated for new hires, and some savings will result from adjustments to vacation, sick and holiday time compensation. Greater flexibility in the use of part-time police and fire personnel was also achieved. Negotiations are expected to begin by mid-2019 with each employee collective bargaining unit. The municipality will again retain special labor counsel to advise the borough. It is expected that workforce limitations will be extended through 2022, if an exit plan is permitted by DCED.

A profile of the borough's full and part time employees for the years 2011, 2014, 2016 and 2018 is presented in Table 3. The distribution of personnel across the departments is consistent with the distribution of personnel in the workforce limitations adopted in the 2015 and 2016. Full time non-union employees are included in the administrative category and include the borough manager, financial assistant, one administrative assistant and the public services director. The full-time personnel in the police, fire and public services department are all covered by collective bargaining agreements. In 2017 the borough reduced the number of non-union administrative staff through furlough of the director of public safety, the codes officer and an administrative assistant. Reductions to date in full time positions in the police, fire and public service departments have occurred through attrition over the past several years. It should also be noted that since the financial distress declaration the borough until 2017 relied on attrition to reduce personnel rather than take any action that would result in an involuntary reduction in work force.

TABLE 3. WORKFORCE COMPARISONS: 2011, 2014, 2016 & 2018

Department	2011	2014	2016	2018 (6/30/18)
Administration	4 FT 0 PT	6 FT 0 PT	7 FT 0 PT	4 FT 0 PT
Police	8 FT 4 PT	8 FT 10 PT	7 FT 5 PT	6 FT 5 PT
Fire	5 FT 5 PT	5 FT 7 PT	4 FT 8 PT	4 FT 6 PT
Public Services	5 FT 3 PT	6 FT 2 PT	5 FT 0 PT	5 FT 0 PT
Total:	22 FT 19 PT	25 FT 19 PT	23 FT 13 PT	19 FT 11 PT

KEY: FT = Full-time Employees; PT = Part-time Employees

PA Act 199 of 2014 - Time Limitation on Distressed Designation

In October 2014, with the adoption of Act 199, the Municipalities Financial Recovery Act Omnibus Amendments, the Pennsylvania General Assembly amended PA Act 47 of 1987. Act 199 set limits on the length of time a municipality may be recognized and function as a distressed municipality. According to section 254, municipalities operating under a recovery plan are subject to termination five years from the effective date of the most recent recovery plan. The five year time period for the borough will expire in early 2019. In 2018, 180 days prior to the expiration of the five year period, the Act 47 Coordinator is required by law to render a report concerning the financial condition of the borough. The report per section 255 which describes the Coordinator's Report must indicate one of four findings:

- (1) Conditions within the municipality warrant a termination in [distressed] status in accordance with section 255.1;
- (2) Conditions are such that the municipality should be dis-incorporated in accordance with Chapter 4;
- (3) Conditions are such that the secretary should request a determination of a fiscal emergency in accordance with Chapter 6, or
- (4) A three-year exit plan in accordance with section 256 is warranted.

Coordinator's Recommendation – Exit Plan

In 2018, three of four of the possible findings are not pertinent when the borough's current circumstances are considered. Conditions within the Borough of Greenville currently do not fully support a recommendation for *Finding (1) - Conditions within the municipality warrant a termination in [distressed] status in accordance with section 255.1*. In order for the Secretary of the PA Department of Community and Economic Development to rescind the financially distressed declaration, the borough must affirmatively demonstrate that:

- (1) Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act.
- (2) Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest and has permitted timely debt service absent participation in this act.
- (3) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.
- (4) The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after termination of distressed status.

While the borough can affirmatively demonstrate that conditions (2) pertaining to debt service and (3) regarding claims and judgments have been addressed and no longer pose financial challenges to the borough, conditions (1) and (4) have not been met.

- **Conditions 2 & 3** - The 2000 Bond Issue originally issued to fund recreation complex improvements and the streetscape project in the downtown business district was last refunded in 2013 to capture interest cost savings over the life of the bond without extending the term. Two short term, no interest, emergency loans totaling \$1,060,000 provided by DCED to stave off insolvency and prevent health and safety issues have been completely repaid. Annual debt service currently accounts for approximately 11% of the total annual operating budget expenditures.

- **Conditions 1 & 4** – Although the annual audited financial statements prepared in accordance with generally accepted accounting principles indicate that the borough has eliminated its general fund structural deficit over the last several years and currently does not rely on any additional tax revenue authorized under Act 47, it does not demonstrate a capacity to maintain a balanced operating, if it were to exit distress. Reasonable projections of operating revenues and expenditures for the first five years following the termination of the borough’s distressed status do not indicate a reasonable probability of future balanced budgets absent participation in this act.

Finding (2) - Conditions are such that the municipality should be dis-incorporated in accordance with Chapter 4 is not applicable to Greenville Borough according to the definition of municipality under Act 199’s Subchapter C Disincorporation of Nonviable Municipalities which excludes local governments from dis-incorporation if the municipality currently employs fire or police personnel does not apply to Greenville due to the existence of police and fire services or *Finding (3) - Conditions are such that the secretary should request a determination of a fiscal emergency in accordance with Chapter 6.* A declaration of fiscal emergency is warranted if a municipality is insolvent or is projected to be insolvent within 180 days, is unable to ensure the continued provision of vital and necessary services or has failed to adopt the coordinator’s plan under Subchapter C of the Municipalities Financial Recovery Act. The Borough of Greenville does not evidence any of the required circumstances for a fiscal emergency.

The borough over the past 6 years has made substantial progress in the reorganization of borough functions and services, the reduction of general fund expenditures and worked diligently to eliminate the earned income tax levied under Act 47 to reduce the structural deficit from \$750,000 to zero. Therefore, it is recommended that *Finding (4) A three-year exit plan in accordance with section 256 is warranted.* The responsibilities and procedures regarding Findings (4) as specified in Act 199 are presented below.

Finding (4) A three-year exit plan in accordance with section 256 is warranted

Act 199 requires that if the coordinator finds that a three-year exit plan is warranted under section 255, an exit plan must be developed in accordance with section 256 that specifies the content of the plan. The exit plan if adopted by mid-March 2019 would extend through the first part of 2022.

Section 256(b) states as follows:

(b) Contents of exit plan. –The exit plan prepared by the coordinator shall contain such elements as may be necessary to ensure termination of distressed status after three years, including, but not limited to:

- (1) The sale, lease, conveyance, assignment or other use or disposition of the assets of the distressed municipality.

- (2) Functional consolidation of or privatization of existing municipal services.
- (3) The execution, approval, modification or rejection, renegotiation or termination of contracts or agreements of the distressed municipality, provided, however, that the provisions of section 252 shall apply to any exit plan adopted in accordance with this subchapter.
- (4) Changes in the form of municipal government or the configuration of elected or appointed officials and employees as permitted by law.

The coordinator has 90 days from the public meeting to take comments on the coordinator's finding to prepare the exit plan. The exit plan would be advertised and subject to review and discussion at a public hearing. Forty-five days after the coordinator's public hearing on the exit plan, borough council would be responsible for adopting an ordinance directing the implementation of the exit plan. Then, within seven days of the enactment of the implementation ordinance, the borough council president shall issue an order directing the implementation of the plan. If the governing body fails to adopt and implement the plan, the secretary of DCED upon written determination by the coordinator would request that the Governor make a determination of a fiscal emergency in accordance with Chapter 6 of Act 199.

Once the exit plan has been implemented, the coordinator under section 257(b) then presents a written recommendation to the secretary of DCED that requests that the distressed designation be rescinded per section 255.1 or a fiscal emergency be determined under Chapter 6. Per section 257(c), if three years have elapsed since the adoption of the exit plan ordinance and the coordinator has not made a written recommendation to the secretary of DCED, the secretary shall terminate the distressed status of the municipality.

Financial Condition: Cash, Budgetary, Service Level & Long Term Solvency

To exit financial distress and attain short and long term financial self-sufficiency, the borough must demonstrate the capacity to achieve and maintain cash, budgetary, service level and long term solvency. Each type of solvency will be assessed in the sections that follow. The definitions of cash, budgetary, service level and long term solvency are consistent with nationally recognized public sector financial management practices.

Cash Solvency means that the borough has funds readily available to pay its obligations on a month-to-month basis. In the years since DCED provided emergency loans to the borough in 2002 and 2003, there has not been a time when a borough obligation was unpaid beyond its due date because there was insufficient cash for timely payments. Cash solvency has been sustained over the last 14 years because the borough adopted a general operating fund balance policy in 2007 that allocated a portion of its year end surplus to a general operating reserve. The value of the reserve has ranged from \$250,000 - \$540,000 and has principally been used to pay borough expenses particularly in the early part of each fiscal year when real estate and earned income tax receipts are their lowest. From 2006-2016 the reserve fund eliminated the need for a short term tax anticipation loan. Table 4 provides data regarding the annual year end fund balances for 2006 – 2017.

At the end of 2017, the borough's general fund balance was \$735,138. \$264,528 was committed to the operating reserve ("Rainy Day" fund), \$125,000 assigned to cover the compensating bank balances, \$19,949 to the capital reserve, \$104,244 – to payroll and other liabilities and \$1,821 - to the HRA fund. The remainder of the general fund balance, \$219,596, was unassigned.

TABLE 4. GENERAL OPERATING FUND BALANCE:12/31/2006 – 12/31/2017

YEAR	FUND BALANCE
2006	\$1,132,998
2007	\$1,310,878
2008	\$ 986,451
2009	\$ 909,455
2010	\$ 851,133
2011	\$ 901,604
2012	\$1,047,727
2013	\$1,024,257
2014	\$ 786,597
2015	\$ 724,147
2016	\$ 677,574
2017	\$ 735,138

The key to cash solvency has been the borough's policy against the use of prior year's fund balance to pay for subsequent years' general operating expenses.

Conclusion – Cash Solvency: The borough has consistently demonstrated cash solvency and should continue to do so if it maintains the fund balance policy adopted in 2007 to allocate a portion of prior year’s fund balance as a general fund reserve and continues to avoid using prior years’ surpluses to cover subsequent year operating expenses.

Budgetary Solvency is defined as being able to raise sufficient general operating revenue to support general operating expenditures over the 12-month fiscal year. Ultimately, the goal is to end the year with total general fund revenue in excess of the total general fund expenditures. Financially healthy communities typically have accumulated 2% - 5% more in revenue and spent 2% - 5% less over the course of the year. The borough did not demonstrate budgetary solvency from 2003-2016. Each year beginning in 2003, the borough relied on the Mercer County Court of Common Pleas to authorize an earned income tax levy in excess of the 1% permitted under PA Act 511 on resident and non-resident earned income. The gap between the revenue the borough was able to generate from existing resources and the additional tax permitted by the court constituted the general fund “structural deficit.” Over a period of years ending in 2017, the borough incrementally reduced the Act 47 portion of the Earned Income Tax (.65% for residents and .42% for non-residents) from approximately \$550,000 to zero through a combination of general fund revenue and expenditure decisions. On the revenue side, a special real estate tax levy of 3 mills for fire services was approved by voter referendum in May 2015 to augment the general-purpose real estate tax rate that was increased by 3 mills in 2014. The combined increase of 6 mills of real estate tax produced about \$180,000 in additional real estate tax revenue. On the expenditure side, reductions in full-time police, fire and public works positions through attrition, furlough of 3 administrative staff, the elimination of the parking enforcement position, the school crossing guards and changes in employee contributions for health insurance premiums are the most significant actions undertaken.

To exit distress the borough must now adopt and implement a feasible strategy to balance its general fund budget by raising sufficient current revenue to fully support current services for the 5 years, 2022 - 2026. (This timeline and analysis presumes that the borough will be accorded a three year exit plan.) Table 5 illustrates what would be required to exit distress and maintain financial stability under two assumptions; a 1% increase in total general fund expenditures and a 2% increase in total general fund expenditures. The borough’s 2018 general fund budget totals \$2,750,000. Of that total, approximately \$18,000 is expected to be generated by the collection of delinquent resident and non-resident Act 47 earned income tax levies. Consequently, the borough’s basic capacity to raise revenue without Act 47 earned income tax revenue, given its current revenue structure, is estimated to be \$2,732,000. If incremental increases in expenditures of 1% and 2% were projected for the years 2019 – 2026, the effect of the increases in expenditures is shown in the first two columns of Table 5. The additional or “new” revenue required to balance the budget is shown in the last two columns of Table 5. ***No changes in service levels,***

personnel, taxable real estate assessed valuation or earned income tax base were factored into the calculations in Table 5. Increases in general fund revenue resulting from growth in the borough’s underlying tax base were not factored into the calculations because general population characteristics and short-term historical experience do not support such assumptions. (See Table 6.) To offset the growth in the general fund budget expenditures, the borough would have to consider increasing the real estate tax rate(s), finding new sources of revenue or changing service levels to reduce operating expenses.

TABLE 5. SUSTAINABLE GENERAL FUND BUDGET: 2019 - 2026

Year	General Fund 1% Incremental Increase in Expenditures	General Fund 2% Incremental Increase in Expenditures	Borough’s Revenue Capacity 2018	General Fund Revenue Required with Annual 1% Incremental Expenditure Increase	General Fund Revenue Required with Annual 2% Incremental Expenditure Increase	Total “New” Revenue Required to Balance General Fund Budget 1%	Total “New” Revenue Required to Balance General Fund Budget 2%
2018 Budget Baseline	\$2,750,500	\$2,750,500	--	--	--	--	--
2019	\$2,778,005	\$2,805,510	\$2,732,000	\$27,505	\$55010	\$46,005	\$73,510
2020	\$2,805,785	\$2,861,620	\$2,732,000	\$28,058	\$56116	\$73,785	\$129,620
2021	\$2,833,843	\$2,918,853	\$2,732,000	\$28,338	\$56677	\$101,843	\$186,853
2022	\$2,862,181	\$2,977,230	\$2,732,000	\$28,622	\$57244	\$130,181	\$245,230
2023	\$2,890,803	\$3,036,774	\$2,732,000	\$28,908	\$57816	\$158,803	\$304,774
2024	\$2,919,711	\$3,097,510	\$2,732,000	\$29,197	\$58394	\$187,711	\$365,510
2025	\$2,948,908	\$3,159,460	\$2,732,000	\$29,489	\$58978	\$216,908	\$427,460
2026	\$2,978,397	\$3,222,649	\$2,732,000	\$29,784	\$59568	\$246,397	\$490,649

The limited potential for growth is demonstrated when data from the U.S. Census in 2000 and 2010 and 2016 census estimates are compared. Overall, the borough’s population has declined by 9.2% (586) in the last 17 years, the median age of the local residents has declined by 4.8 years and the proportion of the population aged 65 and older has declined 3% to 14% (825) of the total population. The number of housing units decreased by 218 (5%) and number of households has declined by 9% (223). The number of individuals per household has not changed. In 2016, although 42% (2146/5794) of the population was employed; it represented a decrease of about 7% (695) since 2000. The median household and per capita incomes have risen by 29% and 16% respectively. The poverty rate at 21.6% is up 7.8%. Owner-occupied housing has decreased by 7%, while housing vacancies increased by 3%. About 56% of the housing was built prior to 1939. Owner-occupied housing values (\$78,400) have increased by a little over 3% since 2010. Data for Mercer County and the Commonwealth of Pennsylvania are provided for context. Mercer County data indicate sizable positive differences in household (\$45,831) and per capita income (\$24,399) and median owner-occupied housing values (\$111,000) when compared to Greenville. Greenville versus statewide data show even wider disparities. Statewide median household income and per capita income are 36% and 74% higher than Greenville, while the statewide poverty rate is 8.3% lower. The median value of owner-occupied housing statewide at \$167,700 is over 200% higher than the borough’s.

Sustaining budgetary solvency over the short and longer term without growth in real estate values and/or earned income within the community essentially becomes the responsibility of current citizens within the existing tax base. Over the years, 2019 - 2026, the average financial responsibility could increase \$7.94 per person or \$21.44 per household in 2018 with a 1% annual increase to \$42.57 per person and \$114.82 per household if general fund expenditures increase 1% annually each year through 2026. With a 2% increase in cost from 2019 – 2026, the per capita and household cost increases would start at \$12.69 and \$34.25 in 2019 and end with \$84.68 and \$228.63 in 2026 respectively. In Greenville in 2018, the cost of basic services on a per capita basis is \$474.72 and \$1,281.69 per household.

Conclusion -Budgetary Solvency: Now that the borough has eliminated its reliance on the Act 47 earned income tax levy, it must determine how it will remain solvent on a budgetary basis for five years after exiting distress through changes in the revenue structure and/or service levels.

TABLE 6. BOROUGH DEMOGRAPHIC DATA 2000, 2010 & 2016 ESTIMATES WITH COUNTY AND STATE COMPARISONS FOR 2016 ESTIMATES

Characteristic	Greenville 2000	Greenville 2010	Greenville 2016 Estimate	Mercer County 2016 Estimate	Pennsylvania 2016 Estimate
Population	6380	5919	5794	116,638	12,702,379
Male	3015	2843	2998	57,106	6,255,842
Female	3365	3076	2796	59,532	6,528,935
Median Age (Years)	34.6	33.1	29.8	42.8	40.6
Residents ≥ 65	1065 (17%)	871 (15%)	825 (14%)	12,557 (11%)	2,133,247 (17%)
Households	2464	2241	2146	46,442	5,018,904
Household Size (Persons)	2.28	2.29	2.36 Owner Occupied 2.28 Rental	2.37	2.45
Employed Persons	3150 49.4%	2817 48%	2455 42.4%	50,124 43%	6,043,693 48%
Median Household Income	\$31,250	\$32,545	\$40,286	\$45,831	\$54,895
Per Capita Income	\$14,969	\$16,566	\$17,360	\$24,399	\$30,137
Poverty Rate All Individuals	13.8%	25.1%	21.6%	14%	13.3%
Housing Units	2723	2567	2505	51,604	5,592,175
Owner Occupied	1471(54%)	1301(51%)	1176 (47%)	33,291 (65%)	3,425,706 (61%)
Rental	993 (36%)	940 (36%)	970 (39%)	12,059 (23%)	1,536,223 (27%)
Vacant	259 (10%)	323 (13%)	359 (14%)	6,254 (12%)	630,246 (11%)
Median Housing Value – Owner Occupied	Not available	\$76,700	\$78,400	\$111,000	\$167,700
Housing Units Built before 1939	1511 55.5%	1368 53.3%	1390 55.5%	13,679 26.5%	1,483,741 26.5%

Source: US Census Bureau, American Fact Finder

Service Level Solvency – Service level solvency addresses the question of whether the borough is able to maintain basic services within the revenue it is able to raise on an annual basis. To operate within what the borough can afford requires that the borough to continuously monitor the nature and magnitude of services it provides and evaluate the cost of providing those services. Adjustments to increase or reduce service levels are contingent on their affordability. For example, the borough experienced a relatively significant increase in the cost of electricity for street lighting. Rather than eliminating street lighting or drawing resources from other services, the borough invested in a capital project to transition to LED bulbs to lessen or contain the cost of providing street lighting in the future.

Since 2002 the biggest changes in the services provided by the borough have been in recreation and leisure programs. Activities and most expenditures supported by the general operating fund and related to the recreation center and swimming pool have been phased out. Alternative recreational programming was provided by the YMCA for a few years. Over the last several years, the borough in conjunction with the Mercer County Area Agency on Aging worked to relocate the Senior Citizens Center to the former rec center. A community effort focused on developing a funding source sufficient to rehab and operate the swimming pool did not succeed. In 2015, the borough subdivided the pool property and completed its sale to Thiel College. The college removed the swimming pool and associated facilities.

Beyond recreation and leisure services, all departments supported by the general operating fund have experienced reductions in resources and overall there are fewer full-time employees and more part-time personnel working to provide basic services today than prior to being declared distressed. Changes in the management and supervision of public safety and public service functions and the borough's clerical positions in conjunction with previous changes in the general and financial management areas have strengthened the borough's overall potential for making the changes necessary to exit distress. The changes in the financial management system have been critical to the production of sound and useful information and reports on a continuing and timely basis.

To formally and critically assess service level solvency for the future, the 2015 plan amendment encouraged the borough undertake a self-study to identify alternatives for service provision and ways to further reduce and/or contain costs. That evaluation focused on how the borough can maintain basic services within the financial capacity available without reliance on the court authorized EIT levies. Changes in the workforce were made as a result of the assessment.

Conclusion - Service Level Solvency: The borough's ability to attain service level solvency is contingent on matching service levels within the constraints set by the borough's revenue resources. All areas of the borough will be under continuous review and consideration as it works toward exiting financial distress and creating a strategy that will provide a reasonable financial foundation for the community.

Long Term Solvency

Long term solvency represents the financial integrity of the borough's pension funds, the level of debt service supported by the general operating fund on an annual basis and the commitment of funds to the maintenance, replacement or acquisition of the borough's infrastructure consisting of facilities, vehicles and equipment. The borough's three employee pension funds have been funded on a consistent basis through employee contributions, state pension grants and borough revenues. At the end of 2017 all of the pension plans were funded at an 87.62% or greater level. Debt service since 2013 has declined about \$160,000 and in 2018 is \$311,000 and accounts for about 11.3% of the total general fund expenditures. A commitment to systematically identify and fund capital needs was initiated with the development of a capital improvements plan about 10 years ago. Since then borough council and the administrative staff have used the planning process to establish an annual capital budget. Of the three areas representing long term solvency, meeting the need for capital improvements poses the greatest long term challenge to the borough. Given current financial resource constraints only facility, vehicle and/or equipment needs of an "urgent" or crisis level nature are considered on an annual basis. The borough's authorization of a storm water utility fee on all property owners several years ago will generate continuing revenue to address the borough's failing storm sewer system. The borough is currently in negotiations with the Greenville Sanitary Authority for the transfer of the storm water utility to the authority. Greater detail about each factor associated with long term solvency is presented below.

Employee Pension Plans

The Borough participates in the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer defined benefit pension plan that covers all full-time (uniform and non-uniform) employees and provides retirement, disability and death benefits to plan members and their beneficiaries. Since being declared distressed in 2002 pension funding and benefit levels have not posed a serious challenge for Greenville Borough. The borough's annual financial responsibility to fund the pensions has principally been met through the annual state pension aid and employee contributions. Table 7 presents the annual and estimated pension costs for the three pension funds versus the total annual state pension grant from 2011-2018.

Since 2011 the Recovery Plan Amendments have stipulated that no changes in employee pensions be authorized for borough employees that would impair the financial integrity of the pension plans. Collective bargaining agreements for uniform and non-uniform employees effective from 2012-2015 and 2016-2019 have conformed to the current recovery plan amendment. The borough's total estimated pension cost for 2018 is \$135,789. The projected cost per the minimum municipal obligation (MMO) in for each pension plan is \$78,814 for the police, \$33,381 for the fire and \$23,594 for the non-uniformed employees. Changes in the magnitude of funding required for the three plans over the last 7 years represent changes in number of active and retired personnel associated

with each plan. Today, with fewer full-time and therefore eligible plan participants, the employee contributions to the respective plans have decreased. The borough's practice has been to use the total value of the state pension aid received during the current year as the basis for the amounts budgeted for the next fiscal year. The total of the state aid received in 2017 was \$143,178. Any funding requirement established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

As a participant of the Pennsylvania Municipal Retirement System (PMRS), the Borough per PA Act 205 is subject to a biennial actuarial valuation for each of the three participating plans. The results of the audit as of January 1, 2017 are presented in the Table 8. The next actuarial valuation will occur in January 2019.

TABLE 7. ANNUAL BOROUGH PENSION COST v. STATE PENSION AID: 2011 – 2018

Year	Non-Uniform Pension Fund	Police Fund	Fire Fund	Total Annual MMO	Total State Pension Aid
2011	\$994	\$74,045	\$47,398	\$122,437	\$122,437
2012	\$81	\$77,739	\$47,670	\$125,490	\$99,682
2013	\$483	\$60,811	\$38,054	\$99,348	\$101,717
2014	\$15	\$66,408	\$38,494	\$104,917	\$138,544
2015	\$24,603	\$75,226	\$45,419	\$145,248	\$142,550
2016	\$41,756	\$62,507	\$51,253	\$155,516	\$155,516
2017	\$28,841	\$77,856	\$36,481	\$145,178	\$143,178
2018 Budget*	\$23,594	\$78,814	\$33,381	\$135,789	\$143,178

*2018 is the MMO for each plan as reported to the state. The actual total grant value will be known in the fall of 2018 when the state distributes the pension grant funds.

Table 8 – GREENVILLE BOROUGH PENSION PLANS – JANUARY 1, 2017

Pension Plan	Actuarial Valuation Date	Total Pension Liability	Pension Plan Net Position	Unfunded Actuarial Liability (Asset)	Funding Ratio 2017	Funding Ratio 2015
Non-Uniform	1/1/2017	\$3,608,740	\$3,452,394	\$156,346	95.67%	107.3%
Police	1/1/2017	\$7,207,984	\$6,749,381	\$458,603	93.64%	104.7%
Fire	1/1/2017	\$3,331,706	\$2,919,275	\$412,431	87.62%	99.1%

Data Source: 1/1/2017 Actuarial Valuation Reports Non-Uniform, Police and Fire Pension Funds.

Non-uniform Pension Plan

The Non-uniform Pension Plan is funded on an annual basis pursuant to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, P.L. 1005. No. 205, as amended, 53 P.S. 895, et seq. ("Act 205"). Active members are required to contribute 3% of their annual compensation to the plan. Act 205 requires that annual employer contributions be based upon the plan's Minimum Municipal Obligation (MMO) and the MMO is a function the plan's biennial actuarial valuation. The plan continues to be eligible for

an allocation of state aid from the General Municipal Pension System State Aid Program that must be used to reduce or eliminate the required municipal contribution.

Non-uniform, full-time and public service employees of the Borough are eligible to join the plan. Vesting is attained after 10 years of service. The normal retirement age is 62. Annual pension benefits are determined by multiplying the number of years of credited service times the final salary times .01667. A member's final average salary is calculated as the average annual compensation paid during the member's last three years of service. In no event is the basic retirement benefit more than 75% of the final salary.

Participants may retire early if they are involuntarily terminated with eight (8) or more years of credited service or voluntarily leave employment with at least twenty (20) years of credited service. If an early retirement is elected, the monthly benefit will be actuarially reduced for each year prior to normal retirement age. The reduction will be approximately one-half percent (1/2%) of the benefit for each month under normal retirement age. At retirement, participants have a choice of four differing survivor benefits options. If a participant becomes totally and permanently disabled and the disability is determined to be service related, the participant is entitled to receive a monthly benefit. The scheduled benefit is 50% of the member's final salary and may be off-set by Worker's Compensation Benefits. A participant who has ten (10) or more years of credited service and is disabled not due to a service related accident or sickness may receive 30% of the member's final salary. If a member is eligible for retirement at the time of death, a lump-sum benefit of the accrued member's benefit will be provided.

As of January 1, 2017, the Non-Uniform Pension Plan had 34 members: 18 active, 3 vested and 13 receiving a pension benefit. In March 2016, the Borough approved a benefit change from 1.667 to 1.875 which in effect lessened the time it will take to accrue a maximum benefit of 75% of the final average earnings from 45 to 40 years. The Borough's Non-uniformed Pension Fund's net position in January 2017 was \$3,452,394. The pension plan's net position as a percentage of total pension liability was 95.67%. The fund has a net pension liability of \$156,346.

Police Pension Plan

The Police Pension Plan is funded on an annual basis pursuant to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, P.L. 1005. No. 205, as amended, 53 P.S. 895, et seq. ("Act 205") and the Police Pension Fund Act of May 29, 1956, P.L. (195) 1804 No. 600 as amended, 53 P.S. 767, et. seq. ("Act 600").

Plan members are responsible for contributing up to 5% of their earnings to the plan but currently are not required to contribute to the plan due to the plan's funding status. Act 205 requires that annual employer contributions be based upon the plan's Minimum Municipal Obligation (MMO) with the MMO being a function of the plan's

biennial actuarial valuation. The plan is eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program that must be used to reduce or eliminate the required municipal contribution.

Any individual employed full-time by the Borough as a member of the Borough's police force is covered by the plan beginning on the participant's date of hire. A member is entitled to receive retirement benefits after completing 12 years of service and attaining age 50. The scheduled retirement benefit is .02 times years of credited service times the final average salary. The final average salary is calculated as the average annual compensation paid during the members' last three years. In no event is the benefit greater than 50% of the final average salary.

Members with more than 25 years of credited service are entitled to a service increment. The service increment is calculated by multiplying the credited whole years in excess of 25 years by .025 times the basic annual benefit. In no event may the service increment benefit exceed twelve hundred dollars (\$1,200) per year.

If a participant becomes totally and permanently disabled and the disability is determined to be service-related, the participant is entitled to receive a monthly benefit. The scheduled benefit is 50% of the member's final salary and may be off-set by Worker's Compensation Benefits. A participant who has 10 or more years of credited service and is disabled not due to a service-related accident or sickness may receive 30% of the member's final salary. If a member is eligible for retirement at the time of death, a lump-sum benefit of the accrued benefit will be provided.

As of January 1, 2017, the Police Pension Plan had 7 active plus 13 plan members or beneficiaries who are currently receiving benefits. The net position in January 2017 was \$6,749,381 while the current ratio for accrued assets versus accrued liability is 93.64%. The current unfunded liability for the police pension fund is \$458,603.

Fire Pension Plan

The Fire Pension Plan is funded on an annual basis pursuant to the provisions of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, P.L. 1005. No. 205, as amended, 53 P.S. 895, et seq. ("Act 205").

Active members are required to contribute 4% of their annual compensation to the plan. Act 205 requires that annual employer contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation.

Any individual employed full-time by the Borough as a member of the Borough's fire department is covered by the plan beginning on the participant's date of hire. A member is entitled to receive retirement benefits after completing 10 years of service and attaining age 50; or the completion of 25 years of service, regardless of age. Annual benefits are determined by multiplying years of credited service times the final salary times .0225. The

final average salary is calculated as the average annual compensation paid during the members' last three years. In no event is the benefit great than 50% of the final average salary.

Retired members receive cost-of-living increases equal to the Consumer Price Index adjusted from the date of their retirement. In no event does the increase exceed the percentage increase in the Consumer Price Index, nor may it cause the total annual benefit to exceed 75% of their final salary, nor may the total of the cost-of-living increase exceed 30% of the original benefit.

If a participant becomes totally and permanently disabled and the disability is determined to be service-related, the participant is entitled to receive a monthly benefit. The scheduled benefit is 50% of the member's final salary and may be off-set by Worker's Compensation Benefits. Participants who have 10 or more years of credited service and are disabled not due to a service-related accident or illness may receive 30% of their final salary. If a member is eligible for retirement at the time of death, a lump-sum benefit of the accrued benefit will be provided.

As of January 1, 2017, the Fire Pension Plan had 11 members; 4 active members and 7 retirees. The fund's net position in January 2017 was \$2,919,275 while the current ratio for accrued assets versus accrued liability is 87.62%. The plan's current unfunded liability is \$412,431.

Pension Funds - Long Term Solvency

To maintain the long term solvency of the pension funds, the borough has worked to achieve and/or sustain the following practices and policies:

Maintain the integrity of the pension funds – First and foremost, a continuing commitment to maintain pension benefits for all borough employees covered by the Police, Fire and Non-uniformed Pension Funds at or above their current levels has positively supported the borough's progress towards exiting financial distress. Continued commitment to this practice should sustain the integrity of the funds in the short and long term without increasing the borough's financial responsibilities.

Pension Fund Excess Interest Allocation – Secondly, current police and fire collective bargaining agreements indicate that any interest earned in excess of the anticipated interest for the respective funds should be allocated to the plan members or to fund the borough's MMO. The reduction in the borough's full-time workforce has resulted in a decrease in contributions to each pension fund an increase in the unfunded liability of each fund. To assure that the borough have discretion on the allocation of any excess interest earned to fund the unfunded liabilities, it should work to eliminate the allocation of excess interest earnings to individual plan members by seeking changes in the collective bargaining agreements.

Post-employment Benefits (PEBs)

The Borough currently provides police and fire retirees who were employed prior to January 1, 2012 with healthcare benefits. New hires in the police and fire departments after January 1, 2012 are not eligible for post-retirement health benefits. In 2018, the cost for police and fire retirees is approximately \$15,442; \$10,608 for police and \$4,834 for fire. This cost has declined 44% or \$19,558 from \$35,000 in 2011. No reserves have been established to fund future obligations for healthcare (post-retirement benefits); instead, the Borough funds the post-retirement healthcare benefits on a pay-as-you-go basis. The borough's the policy to not provide post-employment benefits to new hires should remain unchanged for the foreseeable future.

Debt Service

Debt Service includes all short- and long-term principal and interest expenditures paid from the general operating fund. Debt service is funded by a special real estate tax levy. In the last 8 years, the debt service mill rate has decreased a little less than 2 mills from 10.5 mills to 8.58 mills as

TABLE 9. GENERAL FUND DEBT SERVICE 2011 – 2017 ACTUAL & 2018 BUDGET

GENERAL FUND DEBT SERVICE	2011	2012	2013	2014	2015	2016	2017	2018 BUDGET
PRINCIPAL:								
Bond Issue	\$160,000	\$170,000	\$245,000	\$210,000	\$210,000	\$210,000	\$215,000	\$225,000
DCED Term Loans	106,000	106,000	106,000	-	-	-	-	-
Capital Lease Principal	25,647	13,259	61,741	-	-	-	-	-
Term Loan – Fire Squad Tr	-	-	-	-	-	-	14,407	15,000
Term Loan - Police Cruisers							27,003	27,003
TOTAL: PRINCIPAL	\$291,647	\$289,259	\$412,741	\$210,000	\$210,000	\$210,000	\$256,411	\$267,003
INTEREST:								
Bond Issue	\$130,193	\$125,123	\$27,912	\$54,502	\$52,824	\$49,831	\$44,581	\$40,182
Capital Lease	1,199	4,630	7,903	-	-	-	-	-
Term Loan – Fire Squad	-	-	-	-	-	-	1,640	1,641
Term Loan – Police Cruisers	-	-	-	-	-	-	709	709
Bond Issue Discount	(7)	(4)	21,983	-	-	-	-	-
TOTAL: INTEREST	\$131,385	\$129,749	\$57,798	\$54,502	\$52,824	\$49,831	\$46,930	\$44,512
TOTAL – DEBT SERVICE	\$423,032	\$419,008	\$470,539	\$264,502	\$262,824	\$259,831	\$303,341	\$311,515
Debt Service/								

General Fund Expenditures	14.8%	13%	14.9%	7.9%	8.5%	9.5%	11.3%	11.4%
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debt service obligations declined. With the refunding of the 2005 Bond Issue and the complete repayment of two DCED no interest loans valued at \$1.06 million in 2013, the borough's debt service costs declined about \$159,000 per year. In 2013 the borough also used accumulated fund balance of \$61,741 to pay off the high interest short term/lease rental debt for the street sweeper.

From 2011 - 2018, annual debt service costs as a proportion of the total general operating averaged 11.4% per year with principal and interest costs nearing a high of 15% in 2013. In 2018 debt service will consume about 11.3% of general fund expenditures. Annual debt service costs are shown in the table below.

Debt Service - 12/31/2017

On December 31, 2017 the Borough had \$2,403,063 in outstanding general fund short and long term debt. The January 1 through December 31, 2017 transactions associated with the borough's long term debt are presented in the following table.

TABLE 10. LONG TERM DEBT – DECEMBER 31, 2017

Form of Debt	Interest Rate	Maturity Date	Amount Issued	Outstanding 1/1/2017	Increases in Debt	Decreases in Debt	Outstanding 12/31/17
2013 General Obligation Bond Issue	0.5% - 2.65%	2025	\$2,995,000	\$2,120,000	-	\$215,000	\$1,905,000
Unamortized Bond Discount				(15,419)	\$1,832	-	(\$13,587)
PennVest Loan*	1.00%	2036	\$497,500	\$407,075	\$7,339	\$20,201	\$394,213
First National Bank – Fire Squad Truck	2.70%	2020	\$75,000	\$60,010	-	\$14,407	\$45,603
First National Bank – Police Cruisers	3.00%	2019	\$80,000	-	\$80,000	\$27,003	\$52,997
Compensated Absences	NA	NA	NA	18,837	-	-	\$18,837
				\$2,590,503	\$89,171	\$276,611	\$2,403,063

*The debt service for the PENNVEST Loan is paid from fees generated by the storm water utility.

General Obligation Bonds, Series of 2013

On April 29, 2013, the Borough issued \$2.995 million in general obligation bonds to refund the General Obligation Bonds, Series of 2005. The principal and interest due on the refunded debt prior to the refunding was \$3.722 million. The principal and interest payments for the refunded bonds is \$3.405 million. Favorable

municipal bond interest rates plus the borough's Standard and Poor's "A Stable" credit rating will result in savings of approximately \$282,000 over the term of the 2014 – 2025 bond repayment period. The refunding met an initiative contained in the 2011 Recovery Plan Amendment. The borough's annual principal and interest payments from 2018 – 2025 for the refunded debt are shown below. In January 2018, the outstanding principal and interest on the bond issue totaled \$2.088 million.

TABLE 11. DEBT SERVICE 2018 – 2025: GENERAL OBLIGATION BONDS

Year	Interest Rate	Principal	Interest	Total Debt Service
2018	2.000%	\$225,000	\$40,181	\$265,181
2019	2.000%	230,000	35,631	265,631
2020	2.000%	230,000	31,032	261,031
2021	2.000%	235,000	26,382	261,381
2022	2.250%	240,000	21,331	261,331
2023	2.375%	245,000	15,722	260,722
2024	2.500%	250,000	9,687	259,687
2025	2.625%	250,000	3,283	253,281
TOTAL:		\$1,905,000	\$183,247	\$2,088,247

PENNVEST Loan

On August 3, 2015, the Borough entered into a \$497,500 loan with PENNVEST to fund 50% of the cost for the reconstruction of the Bracken Alley storm sewer. The interest rate is 1%. The Borough also was awarded a \$497,500 PENNVEST grant to offset the other 50% of the project cost. Repayment of the loan principal and interest will be made with storm water utility fees authorized by Ordinance 1559, enacted on April 11, 2016. Debt service will be the first priority for the expenditure of fees received in by the storm water utility fees.

First National Bank Term Loans – Fire Squad Truck and Police Cruisers

Fire Squad Truck - In 2015, the Borough entered into a five-year, term loan of \$75,000 with First National Bank, repayable from 2016-2020, for the purchase of a fire squad truck. The interest rate is 2.7%. The balance outstanding at December 31, 2017 was \$45,603. Payment for the majority of the principal and interest is expected to be funded through annual grants from the Pennsylvania Fire Company/Volunteer Ambulance Service Grant Program (FCVASG). A state grant of \$13,939 was received in 2017.

Police Cruisers – During 2017 the borough replaced 4 police vehicles with 3 new police cruisers. A 3-year term loan of \$80,000 repayable from 2017- 2019 was obtained from the First National Bank. The debt service for the vehicles will be supported by general fund revenues.

Compensated Absences

Police and non-uniform personnel may accumulate unused sick leave according to provisions negotiated as part of collective bargaining agreements. Upon retirement or termination, non-uniform employees receive \$30 per day, while police are compensated at the rate of \$72 per day. The total accumulated cost for unused sick time is listed as “compensated absences” is considered a long term liability. At the end of 2017, the borough’s financial liability for compensated absences was \$18,837.

Debt Service - Long Term Solvency – The annual debt service (principal and interest) has exceeded 10% of the total general operating budget since 2016. In 2018 it will account for 11.3% of general fund expenditures. The short-term borrowings for police and fire vehicles plus the declining total value of the general fund budget have caused debt service to exceed the generally accepted proportion of debt service cost. To maintain long term solvency and be viewed in a positive manner by credit ratings agencies, the borough must work to keep debt service near or below the 10% level. From a policy perspective, the 2016 recovery plan amendment stipulated that decisions with respect to long-term borrowing or other means of capital financing shall be made in accordance with the borough’s capital improvements program with loan and bond maturity schedules designed so that they do not exceed the expected life of the projects financed by such bonds. Capital expenditures over the last several years have been in conformance with this standard.

Capital Improvements

The borough manager/director of public safety in conjunction with the director of public services on an annual basis assess and prioritize the capital needs of all borough departments. The resultant multi-year capital improvements plan serves as the basis for the borough’s annual capital budget. The nature of the projects implemented on an annual basis varies depending on the availability of funds from prior years’ fund balance, grants from other governmental agencies and the allocation of state liquid fuels funds. When the borough sells an asset, the proceeds from the sale are returned to the capital fund to support reinvestment in the community’s infrastructure. The most recent sale of a capital asset was the sale of the swimming pool to Thiel College which generated about \$35,000. When the borough replaces its police vehicles, revenue produced from the sale of the used vehicles is used to reduce the outlay for the new vehicles. The borough’s commitment over the past 8 years to this process represents a significant change from past practice and should be continued. The most recent capital improvements plan was adopted by the Borough in 2017. The plan conforms to the recovery plan amendment adopted in 2016. The plan identifies projects over a 5-year time span and totals almost \$4.32 million with public works accounting for about \$3.1 million, fire \$982,000, police \$94,000, parks \$76,000 and administration \$67,000.

Capital Improvements - Long Term Solvency - The goal for long term solvency should be to allocate about 10% of the general fund budget each year to support capital projects. Attempting to fund on-going necessary capital improvements will be part of the challenge associated with establishing and working within a reasonable and consistent local revenue base in the short and long term.

Long Term Solvency Conclusion: The borough continues to work toward long term solvency in regard to its three employee pension plans and debt service obligations. Continued commitment to limiting the annual debt service interest and principal to 10% or less of the total annual general operating expenditures and preserving the existing financial integrity of the pension funds by restricting benefit changes should maintain reasonable stability for two of the borough's three areas of financial responsibility associated with long term solvency. The borough biggest long term challenge will be to effectively identify and fund urgent and emergency infrastructure needs in the short and long term. The adoption of the borough's storm water utility fee and potential transfer of storm water responsibilities to the sanitary authority should affirmatively address the borough's failing storm system infrastructure and reduce the on-going financial burden within the general operating fund.

Financial Condition – Conclusion

The borough in 2018 demonstrates cash solvency and long-term solvency for pensions and debt, but does not currently satisfy the requirements associated with budgetary, service level or long term solvency as it relates to capital improvements.

General Fund Budget Trends: 2007-2018

Eight tables with commentary are presented to depict general fund financial trends since 2007.

- Table 12. General Fund Operating Position 2006-2017
- Table 13. General Fund Revenue by Source 2007 – 2017
- Table 14. General Fund Expenditures by Function 2007 – 2017
- Table 15. Tax Revenues as % of Total General Fund Budget 2007-2018
- Table 16. Real Estate Tax Revenue 2007 – 2018
- Table 17. Tax Exempt Real Estate 2007 - 2018
- Table 18. Resident vs. Non-Resident EIT Revenue 2007-2017
- Table 19. Resident vs. Non-Resident EIT Rates 2007-2018

The data for the tables was derived from the borough's annual audited financial reports, the borough's annual operating budgets and the general fund budget reports.

Table 12 compares general fund revenue to expenditures for 2007 – 2018. The column on the far right indicates whether the borough took in more revenue than it spent or spent more than it received on an annual basis. The critical consideration is whether the deficiency represents expenditures for day-to-day operating expenses and resulted in an operating deficit. For the years where a deficiency is indicated, the expenditures were for capital projects such as the Main Street improvements, the bond issue debt service paid from a reserve created in 2007 from 2006 surplus revenues or most recently the improvements completed at the rec center during its transition to the senior citizens center. When the deficiencies are related to capital improvements or non-repetitive expenses rather than operating expenses, it is not considered a negative trend.

TABLE 12. GENERAL FUND OPERATING POSITION: 2006-2017

Year	Revenues	Expenditures	Excess/ (Deficiency)
2006	\$4,254,319	\$3,936,197	\$318,122
2007	\$2,899,801	\$2,734,178	\$165,623
2008	\$3,307,408	\$3,710,636	(\$403,228)
2009	\$3,402,201	\$2,645,025	\$757,176
2010	\$2,711,327	\$2,889,955	(\$178,628)
2011	\$2,811,055	\$2,860,416	\$ 49,361
2012	\$3,265,859	\$3,217,533	\$ 48,326
2013	\$3,156,128	\$3,182,083	(\$ 25,955)
2014	\$3,388,217	\$3,365,326	\$22,891
2015	\$2,941,857	\$3,004,307	(\$62,450)
2016	\$2,645,309	\$2,756,364	(\$46,573)
2017	\$2,511,116	\$2,644,745	(133,396)*

***Other financing sources – proceeds from sale of capital assets (\$44,275), insurance proceeds (\$8,121), loan proceeds (\$80,000)**

Table 13 depicts general fund revenue by its sources for 2007 – 2017. The trends in revenues except for intergovernmental sources are relatively stable. Local tax revenues including real estate, earned income, realty transfer, per capita and local service taxes are the biggest sources of general fund revenue. Over the last several years, the proportion associated with local taxes has been about 68%. Once the Act 47 portion of the earned income tax rate is phased out, tax revenue as a percentage of the general fund budget should drop about 5%.

Variances from year to year in intergovernmental aid are driven by the availability of project funding from the state and federal governments. In recent years, the funding has primarily been from DCED. Since 2015 a separate budget solely for airport activity was created to eliminate the unpredictability in revenue trends related to federal funding decisions. Consequently, general fund revenue beginning in 2015 more clearly represents the revenue categories that support the borough's basic services and administration.

TABLE 13. GENERAL FUND REVENUE BY SOURCE: 2007 – 2017

Revenue Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Rev.	\$2,197,464 78%	\$2,072,796 63%	\$2,142,274 63%	\$2,030,247 75%	\$2,175,128 75%	\$2,392,831 71%	\$2,304,957 74%	\$2,116,386 62%	\$2,019,852 68.6%	\$1,896,755 68%	\$1,842,709 68%
Lic. & Permits	\$98,890 3%	\$89,657 3%	\$91,857 3%	\$102,386 4%	\$103,656 3%	\$116,104 3%	\$160,361 5%	\$122,416 4%	\$137,036 4.7%	\$109,878 4%	\$129,909 5%
Fines and Forfeits	\$90,653 3%	\$81,181 2%	\$72,108 2%	\$59,470 2%	\$50,447 2%	\$54,342 2%	\$51,603 2%	\$46,965 1%	\$47,492 1.6%	\$40,637 1%	\$38,021 1%
Int. Rents & Royal	\$122,993 4%	\$89,924 3%	\$58,597 2%	\$60,048 2%	\$49,357 2%	\$46,791 1%	\$45,681 1%	\$62,030 2%	\$40,366 1.4%	\$45,414 1%	\$44,323 2%
Inter-Gov't Rev.	\$154,347 5%	\$757,361 23%	\$842,792 25%	\$234,191 9%	\$201,489 7%	\$406,399 12%	\$328,405 11%	\$665,926 20%	\$199,787 6.8%	\$237,326 9%	\$182,724 7%
Chrges for Serv	\$158,401 5%	\$137,305 4%	\$142,865 4%	\$160,679 6%	\$171,269 6%	\$156,530 5%	\$165,473 6%	\$164,046 5%	\$165,437 6%	\$212,966 8%	\$159,460 6%
Other Sources	\$77,054 2%	\$79,184 2%	\$51,708 1%	\$65,667 2%	\$159,513 5%	\$190,656 6%	\$44,016 1%	\$210,448 6%	\$331,887 11%	\$261,598 9%	\$306,526 11%
TOTAL REV.	\$2,899,801	\$3,307,408	\$3,402,201	\$2,712,688	\$2,910,859	\$3,363,653	\$3,100,496	\$3,388,217	\$2,941,857	\$2,803,573	\$2,703,724

Table 14 summarizes general fund expenditures on a functional or departmental basis. The proportion of expenditures across the departments has been relatively consistent. The percentages for General Government were higher in 2014 and 2015 due to state grant funded upgrades to the borough's computer system and the storm water utility study. The repayment of two DCED emergency loans and refunding of the 2005 Bond Issue reduced the borough's overall debt service cost from 2014-2015.

Beginning in 2015 airport operating and capital expenditures were transferred to a separate airport budget to moderate the inconsistent impact of federal grants. General fund budget expenditures now on an annual basis present a clearer picture of the expenditures directly associated with the borough's basic services and administration. This change caused an increase of proportions across the budget categories even though in some areas the total expense for the department declined from 2014 to 2015.

TABLE 14. GENERAL FUND EXPENDITURES BY FUNCTION: 2007 – 2017

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Gov't	\$315,190 11%	\$315,266 11%	\$287,769 10%	\$267,250 9%	\$216,452 8%	\$239,453 7%	\$256,439 8%	\$330,408 10%	\$394,214 13%	\$410,685 15%	\$320,432 12%
Police	\$765,957 26%	\$804,812 28%	\$832,634 29%	\$948,344 32%	\$1,036,128 35%	\$995,082 31%	\$1,006,359 32%	\$982,179 29%	\$884,477 29%	\$827,928 30%	\$618,183 34%
Fire	\$489,236 17%	\$502,794 18%	\$584,414 20%	\$549,695 19%	\$536,125 19%	\$580,912 18%	\$676,373 22%	\$623,316 19%	\$693,455 23%	\$657,742 23%	\$582,281 22%
Codes/ Zoning	\$99,890 3%	\$69,052 2%	\$61,024 2%	\$64,290 2%	\$78,734 3%	\$73,453 2%	\$69,769 2%	\$77,041 2%	\$95,659 3%	\$123,739 4%	\$55,182 2%
Public Works	\$503,572 18%	\$562,974 20%	\$525,354 18%	\$489,707 17%	\$372,329 13%	\$483,357 15%	\$395,113 13%	\$506,328 15%	\$470,275 16%	\$346,360 12%	\$367,756 14%
Culture/ Rec.	\$62,707 2%	\$62,373 2%	\$65,609 2%	\$89,203 3%	\$71,514 3%	\$145,589 5%	\$98,540 3%	\$62,395 2%	\$202,619 7%	\$72,356 3%	\$55,545 2%
Debt Service	\$507,480 18%	\$404,815 14%	\$400,048 14%	\$400,010 14%	\$423,032 14%	\$419,008 13%	\$470,539 15%	\$264,502 8%	\$262,824 8%	\$259,831 9%	\$304,341 11%
Worker's Comp.*	\$85,388 3%	\$75,122 3%	\$74,868 3%	\$63,367 2%	-	-	-	-	-	-	-
Insur: Cas. & Surety	\$67,994 2%	\$58,715 2%	\$58,041 2%	\$63,042 2%	\$44,774 2%	\$38,673 1%	\$39,262 1%	\$45,996 1%	\$46,871 1%	\$51,386 2%	\$49,526 2%
Vol. Fire Relief & Non- uniform Employ Pen***										\$51,375 4%	\$37,558 1%
Airport* *					\$80,236 3%	\$239,680 8%	\$136,585 4%	\$471,910 14%	--	--	--
Refunds					\$1,116 -	\$2,610 -	\$8,957 -	\$1,250 -	\$ 784 -	\$155 -	\$364 -
TOTAL EXP.	\$2,897,414	\$2,855,923	\$2,889,761	\$2,934,908	\$2,860,440	\$3,217,817	\$3,157,936	\$3,365,325	\$3004307	\$2801557	\$2691167
*Distributed across the departments after 2010. **Airport budget separated from General Fund beginning 2015. ***Prior years distributed across General Gov't, Public Works and Fire functions.											

Table 15 provides greater detail for general fund tax revenues from 2007-2018. Since efforts to eliminate the Act 47 portion of the resident and non-resident earned income tax were initiated total tax revenue as a percentage of total revenue declined from 78% of the budget to 68% -70% of the total annual revenue. Of the five local taxes, the real estate and earned income taxes far outweigh the impact of the realty transfer, per capita and local services taxes on an annual basis. Each year about 7% of the local tax revenue and about 5% of the total general fund budget can be attributed to the realty transfer, per capita and local services taxes. Growth in the adult population, increased market values and/or number of property sales and growth in jobs within the borough would have to occur to increase the revenue generated by these taxes. The real estate and earned income taxes generate about 93% of total tax revenue and about 65% of total general fund revenue. The change in real estate tax revenue, an increase of about \$180,000, reflects the increase in the general purpose mill rate from 21 to 24 mills and the 3 mill fire service tax. The earned income tax revenue generally increased in 2012 and 2013 when collections

became more efficient and effective with the initiation of a countywide tax collection system. In 2013 the collections grew even though Act 47 earned income tax rates for residents and non-residents were reduced. Earned income tax revenue is expected to stabilize at about \$430,000 as delinquent collections are completed.

TABLE 15. TAX REVENUE AS % of TOTAL GENERAL FUND BUDGET REVENUE 2

YEAR	TOTAL TAX REVENUE (% of General Fund)	REAL ESTATE (% of Tax Revenue)	EIT (% of Tax Revenue)	REAL ESTATE TRANSFER (% of Tax Revenue)	PER CAPITA (% of Tax Revenue)	LOCAL SERVICES TAX (% of Tax Revenue)
2007	\$2,205,225 (77%)	\$1,183,240 (54%)	\$816,096 (37%)	\$48,240 (2%)	\$14,543 (.7%)	\$143,105 (6%)
2008	\$2,052,644 (62%)	\$1,090,174 (53%)	\$799,883 (39%)	\$53,418 (3%)	\$12,238 (.6%)	\$96,932 (4%)
2009	\$2,150,056 (63%)	\$1,111,917 (51%)	\$918,003 (43%)	\$22,001 (1%)	\$13,118 (.6%)	\$85,017 (4%)
2010	\$2,048,285 (76%)	\$1,142,285 (55%)	\$801,151 (39%)	\$17,355 (1%)	\$12,603 (.6%)	\$74,891 (4%)
2011	\$2,175,128 (77%)	\$1,148,343 (52%)	\$875,112 (40%)	\$34,881 (2%)	\$13,579 (.6%)	\$103,213 (5%)
2012	\$2,348,414 (78%)	\$1,160,248 (49%)	\$1,063,008 (45%)	\$23,239 (1%)	\$12,454 (.5%)	\$89,465 (4%)
2013	\$2,304,957 (73%)	\$1,098,091 (48%)	\$1,081,275 (46%)	\$20,063 (1%)	\$11,466 (.5%)	\$94,065 (4%)
2014	\$2,116,387 (63%)	\$1,079,377 (51%)	\$894,222 (42%)	\$27,160 (1%)	\$10,664 (.5%)	\$104,964 (5%)
2015	\$2,019,852 (66%)	\$1,181,991 (59%)	\$675,769 (33%)	\$27,163 (1%)	\$11,231 (1%)	\$123,698 (6%)
2016	\$1,895,754 (68%)	\$1,199,984 (63%)	\$559,973 (30%)	\$29,796 (1%)	\$10,057 (1%)	\$100,330 (5%)
2017	\$1,842,710 (68%)	\$1,242,954 (67%)	\$452,234 (25%)	\$30,700 (2%)	\$10,512 (1%)	\$96,309 (5%)
2018 BUDGET	\$1,929,381 (70%)	\$1,257,583 (65%)	\$533,348 (28%)	\$27,000 (1.5%)	\$9,950 (.5%)	\$101,500 (5%)

Table 16 provides a closer look at the borough's real estate tax base, revenue generated and collection performance. From 2007 to 2018, the borough lost almost \$1.95 million (5.2%) in assessed value. In only one year of the last 12, 2009, was there an increase. The loss in assessed value translates to a loss of about \$1950 per mill in real estate tax revenue or approximately \$70,400 at the borough's 36.08 mill rate (general purpose, debt and fire service).

TABLE 16. REAL ESTATE TAX REVENUE TRENDS 2007-2018

YEAR	TAXABLE ASSESSED VALUATION	CHANGE IN ASSESSED VALUE +/-	TOTAL MILL RATE (General/ Debt/ Fire Mill Rate)	VALUE OF 1 MILL	REAL ESTATE TAX LEVY	CURRENT COLLECTIONS/ COLLECTION RATE	DELINQUENT TAX/ RATE CURRENT REAL ESTATE TAX LEVY
2007	\$37,155,300	--	31.5 (21.5/10.0/0)	\$37,155	\$1,170,392	\$1,025,906 91.3%	\$101,824 8.7%
2008	\$36,501,050	(\$654,250)	31.5 (21.5/10.0/0)	\$36,501	\$1,149,783	\$1,000,794 91.4%	\$101,842 8.7%
2009	\$36,728,050	\$227,000	31.5 (21.5/10./0)	\$36,728	\$1,156,934	\$966,551 89%	\$99,045 8.6%
2010	\$36,631,900	(\$96,150)	31.5 (21.5/10.0/0)	\$36,632	\$1,153,905	\$1,010,524 88.7%	\$127,460 11%
2011	\$36,490,750	(\$141,150)	31.5 (21.5/10.0/0)	\$36,491	\$1,149,459	\$1,023,641 89.8%	\$130,794 11.3%
2012	\$36,083,350	(\$407,400)	31.1 (21.5/9.6/0)	\$36,083	\$1,122,192	\$985,714 89.8%	\$117,639 10.2%
2013	\$35,892,150	(\$191,200)	31.1 (21.5/9.6/0)	\$35,892	\$1,116,246	\$990,967 89.7%	\$114,887 10.2%
2014	\$35,783,500	(\$108,650)	30.08 (21.5/8.58/0)	\$35,784	\$1,076,368	\$990,967 89.3%	\$114,506 10.3%
2015	\$35,572,350	(\$211,150)	33.08 (24.5/8.58/0)	\$35,572	\$1,176,733	\$1,042,158 89.8%	\$114,793 10.7%
2016	\$35,382,900	(\$189,450)	36.08 (24.5/8.58/3.0)	\$35,383	\$1,276,619	\$1,095,529 85.8%	\$181,090 14.2%
2017	\$35,228,850	(\$154,000)	36.08 (24.5/8.58/3.0)	\$35,229	\$1,274,919	\$1,074,804 (84%)	\$203,987 (16%)
2018 Budget	\$35,209,200	(\$19,650)	36.08 (24.5/8.58/3.0)	\$35,209	\$1,270,348	---	---

The real estate collection and delinquency rates are presented in the last two columns on the right side of the table. Real Estate collection rates in recent years have ranged from a low of 84% in 2017 – 89.7% in 2014, about 5% - 11% less than typically expected for municipal real estate taxes. The corresponding 10% - 16% annual delinquency rate is two to three times the norm for municipalities.

Since 2014 the general purpose real estate levy has been 24.5 mills. With this rate, the borough has utilized almost 82% of its general purpose real estate tax capacity of 30 mills. The 5.5 mills available to the borough without Common Pleas Court approval would generate about \$194,000 based on the current taxable assessed valuation.

Delinquent real estate taxes have been a concern for over ten years. When taxes are not paid on a current basis during the year they are due, the tax rate has to be increased or expenditures reduced to manage the discrepancy between what should be and what is collected. Over the past several years, the borough has worked with the real estate tax collector to encourage the payment and transfer of tax revenue to the borough in an efficient and effective manner. In 2016 and 2017, the amount of current outstanding real estate tax on December 31 significantly increased. Prior to 2016 unpaid real estate taxes hovered around \$114,000. In 2016 and 2017 the unpaid taxes rose to 14% (about \$181,000) and 16% (\$204,000). In 2017 the unpaid taxes were equivalent to over 6 mills of taxes. An evaluation of the delinquent properties several years ago indicated that about 350 (14%) of the 2526 taxable properties are consistently or chronically delinquent each year. Almost 50% of the delinquent properties are either owners with multiple properties (27%) or owned by non-residents (20%), another 16% are owner occupied properties and vacant lots account for another 19%.

Table 17 presents comparative data for taxable versus non-taxable or exempt real estate in Greenville. Since 2007 the borough's tax exempt real estate value has risen from \$23.4 million to \$24.246 million. In 2018, 40.8% of the borough's real property is tax exempt. With the increase in tax exempt property since 2007, the real estate tax burden for the owners of taxable properties has increased 2.2%.

Table 17. Tax Exempt Real Estate 2007 – 2018

YEAR	TAXABLE REAL ESTATE ASSESSED VALUE	CHANGE +/-	TAX- EXEMPT REAL ESTATE ASSESSED VALUE	CHANGE +/-(-)	TAX- EXEMPT REAL ESTATE ASSESSED VALUE % OF TOTAL
2007	\$37,155,300	--	\$23,381,350	--	38.6%
2008	\$36,501,050	-\$654,250	\$24,407,400	\$1,026,050	40.1%
2009	\$36,728,050	+\$227,000	\$23,861,600	(\$545,800)	39.4%
2010	\$36,631,900	-\$96,150	\$23,861,600	-0-	39.4%
2011	\$36,490,750	-\$141,150	\$23,933,700	\$72,100	39.6%
2012	\$36,083,350	-\$407,400	\$24,370,050	\$436,350	40.3%
2013	\$35,892,150	-\$191,200	\$24,380,100	\$10,50	40.4%
2014	\$35,783,500	-\$108,650	\$24,387,000	\$6,900	40.5%
2015	\$35,572,350	-\$211,150	\$24,407,400	\$20,000	40.7%
2016	\$35,382,900	-\$189,450	\$24,810,550	\$403,150	42.6%
2017	\$35,228,850	-\$154,000	\$24,383,800	(\$426,750)	40.9%
2018 BUDGET	\$35,209,200	-\$19,650	\$24,245,900	(\$137,900)	40.8%

Table 18 provides detail about the distribution of the earned income tax revenues received since 2007 between residents and non-residents as levied under Act 511 and Act 47. The tax rates for residents and non-residents are depicted in Table 19. The significant increase in total earned income tax revenue in 2012 is a consequence of greater compliance resulting from the implementation of the countywide earned income tax collection system. Employers now must withhold earned income tax for all employees regardless of where they resident and remit the tax to the countywide collector. The collector then distributes the revenue to the appropriate taxing body. Collections in 2013 were greater than expected and principally due to the collection of prior years' taxes. When the borough has completely eliminated the Act 47 portion of the earned income tax, the revenue levied under Act 511 will continue. The table indicates that the continuing revenue could be about \$428,000 with \$344,000 generated from resident earned income and about \$84,000 from non-residents. The non-resident revenue under Act 511 is associated with those who work in the borough but do not have an earned income tax in their place of residence. The non-resident taxpayers are likely not Pennsylvania residents.

TABLE 18. RESIDENT VS. NON-RESIDENT EIT REVENUE 2007-2017

YEAR	TOTAL RESIDENT AND NON- RESIDENT EIT REVENUE	TOTAL RESIDENT EIT REVENUE	RESIDENT EIT REVENUE - ACT 511 PORTION	RESIDENT EIT REVENUE - ACT 47 PORTION	TOTAL NON- RESIDENT EIT REVENUE	NON- RESIDENT EIT REVENUE - ACT 511 PORTION	NON- RESIDENT EIT - ACT 47 PORTION
2007	\$816,096	\$625,527	\$284,331	\$341,196	\$190,568	Unknown	\$190,568
2008	\$799,883	\$654,453	\$297,479	\$356,974	\$145,430	Unknown	\$145,430
2009	\$918,003	\$712,130	\$309,622	\$402,508	\$205,873	Unknown	\$205,873
2010	\$801,151	\$635,957	\$276,503	\$359,454	\$165,194	Unknown	\$165,194
2011	\$875,112	\$706,673	\$307,249	\$399,424	\$168,439	Unknown	\$168,439
2012*	\$1,063,008	\$794,899	\$345,606	\$449,293	\$268,109	Unknown	\$268,109
2013**	\$1,043,720	\$690,675	\$316,101	\$374,574	\$353,044	\$74,603	\$278,441
2014**	\$894,921	\$556,881	\$317,977	\$238,904	\$338,040	\$66,596	\$271,444
2015**	\$697,961	\$495,972	\$318,391	\$177,581	\$201,989	\$95,160	\$106,829
2016**	\$558,531	\$453,309	\$329,736	\$123,573	\$105,223	\$71,042	\$34,181
2017**	\$462,234	\$376,311	\$343,636	\$32,130	\$86,648	\$84,170	\$2,478

*Initiation of countywide earned income tax collection.

**Distribution of revenue identified as Act 511 versus Act 47 through Berkheimer's records. Prior years' collection reports by Keystone Collections did not provide detail for non-resident Act 511 versus Act 47 revenue.

Table 19 presents the earned income tax rates for residents and non-residents levied under Act 511 and Act 47 since 2003. It shows the steady reduction in both the resident and non-resident earned income tax rates levied under Act 47 since 2013.

TABLE 19. RESIDENT vs. NON-RESIDENT EIT RATES - 2007 – 2018

YEAR	RESIDENT ACT 511 EARNED INCOME TAX RATE	RESIDENT ACT 47 EARNED INCOME TAX RATE	NON-RESIDENT ACT 511 EARNED INCOME TAX RATE	NON-RESIDENT ACT 47 EARNED INCOME TAX RATE
2003	1.0	.70	1.0	.50
2004	1.0	.70	1.0	.50
2005	1.0	.70	1.0	.50
2006	1.0	.50	1.0	.25
2007	1.0	.60	1.0	.34
2008	1.0	.60	1.0	.34
2009	1.0	.65	1.0	.42
2010	1.0	.65	1.0	.42
2011	1.0	.65	1.0	.42
2012	1.0	.65	1.0	.42
2013	1.0	.56	1.0	.37
2014	1.0	.28	1.0	.185
2015	1.0	.25	1.0	.092
2016	1.0	.125	1.0	.046
2017	1.0	-0-	1.0	-0-
2018	1.0	-0-	1.0	-0-

General Fund Budget Trends – Conclusion

The data presented in the general fund budget trends provide a foundation for the development of revenue projections for the five years, 2019 – 2023. It is striking that the general fund budget in 2018 is about \$200,000 less than the total general fund budget in 2007. With the impact of inflation over the years since 2007, the buying power of the borough's current general fund budget is about 22% less than 2007 and is an indicator of the challenge the borough faces as it moves forward.

FIVE-YEAR GENERAL BUDGET PROJECTIONS: 2019-2023

The criteria for the financial condition report require that projections be made five years into the future. The following table relies on the 2018 Budget as the Base Year and prior years' historical experience to form the foundation for the projections for the years 2019-2023. The projected deficits for the years 2019 – 2023 are \$140,142, \$124,555, \$103,522, \$159,398 and \$125,700.

TABLE 20. GENERAL FUND: 2018 BASE YEAR + 5 YEAR BUDGET PROJECTIONS

BOROUGH OF GREENVILLE GENERAL FUND	BASE YEAR 2018 BUDGET	2020 BUDGET PROJECTION	2020 BUDGET PROJECTION	2021 BUDGET PROJECTION	2022 BUDGET PROJECTION	2023 BUDGET PROJECTION
GENERAL FUND REVENUE						
Real Estate Tax	\$1,257,583	\$1,243,000	\$1,243,000	\$1,243,000	\$1,243,000	\$1,243,000
Act 511 Taxes	671,798	599,000	605,000	612,000	617,000	623,000
Business Licenses & Permits	131,677	119,500	120,000	120,000	120,500	121,000
Non-Business Licenses & Permits	10,833	11,500	11,500	12,000	12,500	12,500
Fines & Forfeits	40,150	38,000	38,000	38,500	38,500	39,000
Interest Earnings	790	2,000	2,500	2,750	3,000	3,250
Rents & Royalties	44,090	45,000	45,000	45,000	45,000	45,000
Intergov'tal Revenue - State	169,220	21,700	21,700	22,000	22,000	22,500
Shared Revenue & Entitlements	156,989	154,000	154,000	150,000	150,000	150,000
Local Gov't Contracted Services	82,100	82,100	82,100	82,100	82,100	82,100
Charges for Services	65,673	67,000	67,000	69,000	69,000	71,000
Misc. Revenue	113,097	118,750	125,000	131,000	137,500	144,000
Other Financing Sources	6,500	6,500	7,000	7,000	7,500	7,500
TOTAL - GENERAL FUND REVENUE	\$2,750,500	\$2,508,050	\$2,521,800	\$2,534,350	\$2,547,600	\$2,563,850
GENERAL FUND EXPENDITURES						
GENERAL GOVERNMENT						
Gen. Gov't - Legislative	\$ 2,125	\$ 2,125	\$ 2,125	\$ 2,125	\$ 12,743	\$ 12,743
Gen. Gov't - Administration	219,300	130,685	127,442	128,598	131,123	133,025
Gen. Gov't - Financial Admin.	33,622	37,374	36,748	36,864	37,779	38,395
Gen. Gov't - Tax Collection	21,511	21,700	21,932	22,150	22,375	22,600
Gen. Gov't - Legal Services	14,000	45,000	14,500	14,500	51,000	15,000
Gen. Gov't - Engineering Services	85,000	35,000	35,000	35,000	35,000	35,000
Gen. Gov't - Municipal Bldg.	22,950	23,400	23,900	24,355	24,840	25,340
TOTAL - GENERAL GOVERNMENT	\$ 398,508	\$ 295,284	\$ 261,647	\$ 263,592	\$ 314,860	\$ 282,103
PUBLIC SAFETY						

Public Safety - Police	\$851,528	\$882,397	\$911,419	\$909,440	\$906,440	\$909,905
Public Safety - Fire	584,658	573,312	588,535	593,105	603,823	610,225
Public Safety - Code Enforcement	40,264	40,278	40,411	40,633	40,694	40,785
Public Safety - Planning/Zoning	5,298	5,298	5,298	5,298	5,298	5,298
Public Safety - Crossing Guards	2,427	2,510	2,535	2,560	2,586	2,612
Public Safety - Stray Animals	-	0	0	0	0	0
TOTAL - PUBLIC SAFETY	\$ 1,484,175	\$ 1,503,795	\$ 1,548,198	\$ 1,551,036	\$ 1,558,841	\$ 1,568,825
PUBLIC WORKS						
Public Works - Highways	\$ 285,747	\$ 300,727	\$ 305,702	\$ 305,762	\$ 313,191	\$ 316,320
Public Works - Winter Maintenance	9,850	10,000	10,200	10,400	10,600	10,800
Public Works - Traffic Lights	10,700	11	11,100	11,355	11,500	11,600
Public Works - Street Lights	70,800	71,500	72,200	73,000	73,700	74,400
Public Works -Sidewalks/Curbs	1,000	1,000	1,000	1,000	1,000	1,000
Public Works - Repairs Veh/Equipment	5,100	5,200	5,300	5,400	5,500	5,600
Public Works - Alleys/Guardrails	11,265	11,500	11,750	12,000	12,250	12,500
TOTAL - PUBLIC WORKS	\$ 394,462	\$ 399,938	\$ 417,252	\$ 418,917	\$ 427,741	\$ 432,220
PARKS AND RECREATION						
Parks & Recreation	\$ 47,536	\$ 48,500	\$ 49,500	\$ 50,500	\$ 51,450	\$ 52,480
Railroad Park	1,080	1,100	1,125	1,145	1,175	1,200
Library	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL - PARK & RECREATION	\$ 53,616	\$ 54,600	\$ 55,625	\$ 56,645	\$ 57,625	\$ 58,680
DEBT SERVICE						
DEBT SERVICE -PRINCIPAL						
DEBT SERVICE - INTEREST	\$ 267,003	\$ 270,994	\$ 245,000	\$ 235,000	\$ 240,000	\$ 245,000
FISCAL AGENT FEES	44,512	37981	32673	26382	21331	15722
TOTAL - DEBT SERVICE	1,000	1000	1000	1000	1000	1000
	\$ 312,515	\$ 309,975	\$ 278,673	\$ 262,382	\$ 262,331	\$ 261,722
EMPLOYER PAID BENEFITS -PENSION CONTRIBUTION						
	\$ 33,194	\$ 33,500	\$ 33,860	\$ 34,200	\$ 34,500	\$ 34,900
INSURANCE - CASUALTY/SURETY						
	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600	\$ 50,600
OTHER FINANCIAL USES	\$ 350	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
INTERFUND OPERATING TRANSFERS						
	\$ 23,080	0	0	0	0	0

TOTAL GENERAL FUND EXPENDITURES	\$ 2,750,500	\$ 2,648,192	\$ 2,646,355	\$ 2,637,872	\$ 2,706,998	\$ 2,689,550
GENERAL FUND BALANCE	0	(\$140,142)	(\$124,555)	(\$103,522)	(\$159,398)	(\$125,700)

CONCLUSION- ACT 199 REPORT

The evidence presented in this report substantiates the determination that Finding (4) A three-year exit plan in accordance with Section 256 is warranted for the Borough of Greenville.