

ANNUAL REPORT

GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES

July 1, 2006 - June 30, 2007

pennsylvania
GOVERNOR'S CENTER FOR
LOCAL GOVERNMENT SERVICES



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The Governor's Center for Local Government Services is where local governments look for help when they need an advocate and want to cut through red tape. Throughout the Commonwealth, the Center's staff is known by local officials and others for its dedication and professionalism.

The agency's vital programs and efficient and effective service give local governments access to all state agencies under the Governor's jurisdiction. It coordinates resources to help solve local issues and uses a systematic approach when problems involve more than a single agency.

The Center is also working with local governments to support the growth and development of businesses and communities throughout Pennsylvania. We have enacted one of the largest economic stimulus packages in the country: \$2.8 billion in grants, loans and guarantees that are creating jobs and bolstering business growth. NewPA.com's "Funding and Program Finder" shows how these programs can help communities, and they provide valuable information about Pennsylvania's businesses and communities, available sites and key industries.

This 2006-07 annual report highlights the programs and services the center has provided to local governments, including local and regional police and volunteer fire services, budget and finance, as well as the uniform construction code, planning, and land use.

I congratulate the Center for Local Government Services for its accomplishments during the past year, and I encourage local officials and others to call the center for help as we work together to improve the quality of life in every commonwealth community.

A handwritten signature in black ink that reads "Edward G. Rendell". The signature is written in a cursive, slightly slanted style.

Edward G. Rendell
Governor



Since 1996, Local Government Day has been set aside to honor the men and women who serve the citizens of their communities through dedicated service. During the Local Government Day ceremony, the Governor's Award for Local Government Excellence is presented to counties, municipalities, municipal authorities and councils of government which have demonstrated vision, dedication and determination in the development and implementation of programs and projects designed to improve the quality of life in their communities. Elected and appointed officials nominated by local government associations are also recognized for their selfless service to local government. For further details, visit www.newPA.com.

On April 19, 2007, approximately 300 local government officials gathered at the Pennsylvania Farm Show Arena to recognize this year's award winners. Following remarks from Governor Edward G. Rendell, awards were presented to the following local government entities:

2007 LOCAL GOVERNMENT AWARDS

Dallas A. Dollase Award for Excellence in Planning

- > Ron Wagenmann, Municipal Manager, Upper Merion Township, Montgomery County

Building Community Partnerships

- > Lewisburg Area Recreation Authority, Union County

Responding to Adversity

- > Loganville Borough, York County

Promoting Community/Economic Revitalization

- > City of McKeesport, Allegheny County
- > Washington County Authority

Innovative Community / Governmental Initiatives

- > Montgomery Township, Montgomery County

Innovative Planning and Sound Land Use Practices

- > Philadelphia, Yeadon Borough, Upper Darby Township, East Lansdowne Borough, Lansdowne Borough, Clifton Heights Borough – Philadelphia and Delaware Counties

Fiscal Accountability and Best Management Practices

- > Cumberland County

Intergovernmental Cooperation

- > Lower Providence Township, Montgomery County
- > Luzerne County
- > Northwest Lawrence County Regional Police Commission

Information Technology

- > City of Allentown, Lehigh County
- > Mt. Lebanon Township, Allegheny County
- > Steel Valley Council of Governments – Allegheny County

2007 INDIVIDUAL AWARD WINNERS

- > **Shirl Barnhart**, Supervisor, Morgan Township, Green County
- > **Russell Chiodo**, Commissioner, Patterson Township, Beaver County
- > **Helen Jackson**, Council Member, New Beaver Borough, Lawrence County

- > **John Reiley**, Mayor, City of Pottsville, Schuylkill County
- > **Anthony Russo, Jr.**, Manager, Wilkinsburg-Penn Joint Water Authority
- > **Pam Shellenberger**, AICP, York County Planning Commission

- > **Ann Simonetti**, President of Council, Marysville Borough, Perry County
- > **Bernie Smith**, County Commissioner, Indiana County (posthumously)

The Local Government Advisory Committee was created by the Community and Economic Development Enhancement Act, Act 58 of 1996, as part of the merger of the Departments of Community Affairs and Commerce into the Department of Community and Economic Development. The Committee is chaired by the Lieutenant Governor and serves as a link between the Commonwealth and its local governments. The Committee affords local governments with the opportunity to provide input on a range of policy issues to the highest levels of state government. Communication between local officials and state officials is critical in being able to provide many critical services to our businesses and citizens. The Advisory Committee is designed to provide that two-way communication. State officials use the Committee to brief local officials on important issues that will affect local communities. Committee members, as representatives of local governments throughout the state, use the forum to express their ideas on how state government can better assist local officials in meeting the service needs of their residents. The Committee is staffed by the Governor's Center for Local Government Services (GCLGS).

The Committee met twice during FY 06-07. Meetings were held on November 16 and March 22. Lieutenant Governor Catherine Baker Knoll chaired all meetings and stressed the important role of local governments to the well being of the Commonwealth. The meetings afford the opportunity for DCED and other state agencies to provide the Committee with information on recent legislation and state policy initiatives impacting local government.

At the November meeting, John Comey from PEMA provided a briefing on the Pandemic Preparedness initiative and local governments role in dealing with such a situation. He also addressed the Hazard Mitigation Program which is an effort to reduce flood damage in the Commonwealth. John Mizerak from GCLGS provided a review of the Center's Five Year Land Use Report that was recently issued. The report is required under the Municipalities Planning Code and provides a review of growth and development trends in the Commonwealth. Mr. Mizerak also provided an update on work of the State Planning Board and their recent report that provides recommendations on Governance, Transportation and Infrastructure and Economic Development. Georgia Earp also from

the Center provided an overview of efforts to amend the Emergency and Municipal Services Tax and Senate Bill 157. This bill which would have provided for a payroll cycle based withholding process was recently vetoed by the Governor due to there not being sufficient time for local governments to implement the changes for 2007. Ms. Earp also provided an update on the Earned Income Tax study completed by the Center, and the legislation that has been drafted to implement the study's recommendations. HB 1427 was amended in the Senate Finance Committee to incorporate the study recommendations and was favorably reported out of Committee earlier in the fall and is now in the Senate

Appropriations Committee. Sharon Grau of GCLGS provided a review of the Center's Training Initiative including the recent formation of the Pennsylvania Local Government Training Partnership which includes the six major local government associations who are working cooperatively in the delivery of a comprehensive training program for local government officials.

Topics discussed at the March 22 meeting included a presentation by Department of Environmental Protection, Small Business Ombudsman, Jeanne Dworetzky on the Energy Independence initiative and the Commonwealth's efforts to pursue alternative energy sources. She reviewed efforts to



The Committee affords local governments the opportunity to provide input on a range of policy issues to the highest levels of state government.



prepare for the elimination of electric rate caps by 2011 and grants and loans available through the Pennsylvania Energy Development Authority that can incentivize alternative energy projects. James McAneny, Executive Deputy Director of the Public Employee Retirement Commission provided an review on local government pension plans and efforts to consolidate them. He highlighted legislation that would provide for a consolidated pension system for municipal police pension plans and the savings that could be achieved by this legislation. Georgia Earp from the Center provided an update on both the Earned Income and Emergency and Municipal Services Tax (EMST) issues. She indicated that legislation to revise the withholding process for the EMST was passed by the legislature last October but vetoed by the Governor due to their being insufficient time for local governments and businesses to implement the changes. The Senate has recently passed SB 218 which would provide for a withholding process based on payroll periods rather than a lump sum withholding. The legislation is now in the House and it is expected to pass by mid year. The effective date of the changes would be January 2008. Ms. Earp also reviewed the status of the draft of legislation to revamp the Earned Income Tax system. The proposal would provide for 66 countywide tax collection districts. It would provide for uniform withholding, standard forms and procedures and increased accountability and enforcement provisions. This legislation was reported out of the Senate Finance Committee last fall but died when the legislation session ended. There remains significant interest in this legislation and work is now underway to have bills introduced in the House and Senate that would contain provisions similar to those in HB 1427 from last year.

The Local Government Advisory Committee comprises six members representing the local government associations, four at-large members appointed by the Governor, and four members are appointed by the leaders of each of the legislative caucuses of the General Assembly. Committee members may serve no more than two two-year terms. Members serving during FY 06-07 (there are currently two vacancies) were:

- > Glen Anderson, Butler County
- > Aurel Arndt, Lehigh County Authority
- > Betty Esper, Homestead Borough, Allegheny County
- > William Groves, Cumberland Township, Greene County
- > James Hertzler, East Pennsboro Township, Cumberland County
- > Lester Houck, Salisbury Township, Lancaster County
- > Brian McGrath, Millcreek Township, Erie County
- > Jim Prokopiak, Falls Township, Bucks County
- > Ann Simonetti, Marysville Borough, Perry County
- > Barry Smith, Manor Township, Lancaster County
- > Kenneth Westcott, Washington City, Washington County
- > Barry Wright, Blair County

The Governor's Center frequently consults with the County Commissioners Association of Pennsylvania, the Pennsylvania League of Cities and Municipalities, the Pennsylvania Association of Township Commissioners, the Pennsylvania Association of Township Supervisors, the Pennsylvania State Association of Boroughs, the Pennsylvania School Boards Association and the Pennsylvania Municipal Authorities Association to identify bills of concern and develop comments on those bills or amendments to the bills. Our sister agency in the General Assembly, the Local Government Commission, provides invaluable assistance to us with our legislative mission. The Center's comments and analyses are provided to the Legislative Office, the Policy Office and the Office of General Counsel in the Department of Community and Economic Development and the Governor's Office.

Some of the bills enacted into law during the current legislative session:

- > Act 2007-7 – Local Services Tax
- > Act 2007- 9 – Universal Construction Code Amendments regarding masonry walls
- > Act 2007- 22 – County Code amendment for financial reporting
- > Act 2007 -39 – Universal Construction Code Amendments for structures at fairs

Some, but not all, of the legislative issues that continue to be evaluated by the Governor's Center for the 2007-08 Fiscal Year include:

- > Earned income tax collection
- > Pennsylvania Construction Code
- > Bid limits
- > Municipalities Planning Code

Local Income Tax Collection

The Governor's Center has worked tirelessly with the General Assembly and stakeholders over the past year on legislation that will require local income tax collection at the county level, uniform withholding and extensive administrative reforms. Senate Bill 1063 and House Bill 1550 are the products of this collaborative effort. The reforms encompassed in the bills will strengthen state oversight while returning more accountability and control over local taxes to municipalities and school districts. According to the most recent Western Pennsylvania Economy League study, passage of this legislation will stem the annual loss of over \$237 million of local tax revenue, while streamlining the system, decreasing the burden on business and reducing taxpayer confusion and unfairness.

Under the legislation, 66 tax collection districts are created for purposes of local income tax collection. Each tax collection district includes all school districts that are primarily located in a county and the municipalities within those school districts. A tax collection committee is created to oversee tax collection in each tax collection district. All taxing jurisdictions within a countywide district will have a voice in appointing the local income tax collector. An existing collector such as a municipality, school district, private company, or non-profit bureau could be chosen to collect the tax.

The legislation will capture lost revenues by requiring that all employers withhold all income taxes from all their employees and remit those taxes to the tax collector for the tax collection district where their facility is located. Tax collectors will be required to distribute all tax monies belonging inside the tax collection district to the appropriate taxing jurisdiction within the district, and to distribute monies belonging outside the district to the tax collector for that tax collection district. To make distribution easier and keep track of tax monies, tax collectors will be required to use standard forms and procedures.

Emergency and Municipal Services Tax

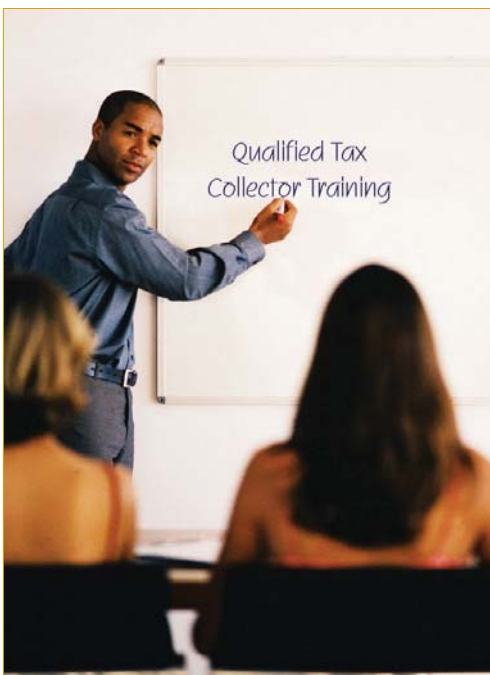
Act 7 of 2007- amended the Local Tax Enabling Act to change the tax to the Local Services Tax and other provisions. Please see www.newPA.com, for an FAQ, sample ordinances, and the refund/exemption forms.

Looking Ahead

Given the extensive hearings and discussions that have taken place on local tax collection as well as strong support for the legislation, the Governor's Center is hopeful that the Local Income Tax Collection Reform legislation will be enacted by the General Assembly during the 2007-08 legislative session. There are also indications that the General Assembly may establish a Construction Code Advisory Committee via House Bill 1096, make permanent the cap increases to the Capital Project Loan program via HB 1323, and significantly improve the Municipalities Planning Code per the recommendations of the State Planning Board Commission via House Bill 1525. The Governor's Center will continue to watch these issues, as well as other issues that affect local government.

This year, we are concluding our eleventh year of privatization. For the five years prior to 2006, the municipal training programs in the Commonwealth were offered through contracts between the Department of Community and Economic Development's Governor's Center for Local Government Services and two of the major local government associations, the Pennsylvania State Association of Township Supervisors and the Pennsylvania State Association of Boroughs.

During the tenth year, the Center established the Pennsylvania Local Government Training Partnership. Members of the partnership include the County Commissioners Association of Pennsylvania, the Pennsylvania League of Cities and Municipalities, the Pennsylvania Municipal Authorities Association, the Pennsylvania State Association of Boroughs, the Pennsylvania State Association of Township Commissioners and the Pennsylvania State Association of Township Supervisors. The Center also entered into an agreement with the Departments of Environmental Protection, Transportation, Conservation and Natural Resources, Labor and Industry, the PA Emergency Management Agency and the PA Rural Development Council to assist them with delivery of their training programs to local government.



The PA Local Government Training Partnership provides a more effective coordination and delivery of the comprehensive set of training opportunities for local officials, using the resources available from the private and public sectors. During fiscal year 2006-2007, the partnership offered 119 courses, with 580 sessions, to 10,949 participants, in over 600 locations across the Commonwealth. These courses include general government administration, finance, public safety, planning, code enforcement, and community development. The course participants completed evaluations in which they indicated the training was beneficial to them.

We continue to offer Qualified Tax Collector Training as required by Act 2001-25. This law assigned the Center the responsibility of establishing a basic training, continuing education, examination and qualification program for tax collectors throughout the state. This year, three sessions of the Basic Training & Examination courses were offered in addition to eight sessions of Trends in Tax Collection, and three sessions of Tax Collector Qualification-Exam Only courses.

The Pennsylvania Construction codes Academy (PCCA) continues to expand and develop partnerships to meet the growing demand for certified building inspectors. In fiscal year 2006-2007, PCCA provided training to 3,485 students through the partnership.

Center Publications

To keep Pennsylvania's officials informed, the Center maintains a library of approximately 50 publications on local government issues. The publications serve as the basis for many of the Center's educational programs. Publications are updated approximately once every three years or upon the enactment of major legislation that affects a publication.

Most of the publications are provided in a PDF format on the Center's web site. All publications on the web site can be downloaded from the list at no charge. You can also order a printed copy of any publication from an authorized private vendor at the indicated price. A fax order form is also available.



MUNICIPAL MERGER AND CONSOLIDATION

Act 1994-90, the Municipal Merger and Consolidation Act, provides the legislative authority for Pennsylvania municipalities to combine assets through consolidation or merger of governments. Throughout the Commonwealth, a growing number of municipalities and citizens have been demonstrating their interest in consolidation or merger to streamline and create more efficient governments.

Act 90 requires a simple majority vote in each of the participating municipalities for a merger or consolidation to succeed. Whether delivered to the ballot by citizen petition or governmental agreement, boundary change questions contain sensitive, complicated and difficult issues for the general public and elected officials alike. During FY 06-07, there were no successful boundary changes.

To date, there is one boundary change effort that is scheduled to appear on the May 2008 ballot. The Center is providing technical advice and support to an effort in Cambria County that involves South Fork and Ehrenfeld Boroughs. Extensive technical assistance has also been offered to eight municipal governments in Cameron County where there is an initiative proposes to consolidate all units of local government within the county (5 townships and 2 boroughs in addition

to the county) and provide governance under a home rule charter.

Whether boundary change involves two small local governments or a county-wide proposal, all assistance provided to local governments and citizens proves to be educational and challenging in numerous ways. The Center is committed to supporting these efforts at the request of local governments, with the goal of developing more efficient and responsive government.

POLICE

The Governor's Center for Local Government Services continues to be a strong advocate in providing technical assistance in matters of police administrative/management procedures and police regionalization. In FY 06-07, the Center conducted more than 20 regional police feasibility studies for municipalities interested in consolidating their police services.

Assistance ranges from solving minor problems over the telephone to conducting in-depth management studies and studies to determine the feasibility of police consolidation. Regional policing is currently an alternative method to the provision of traditional police services in the Commonwealth of Pennsylvania. The concept has proven to be successful for many Pennsylvania municipalities. It must be noted that Pennsylvania has, by far, more police departments than any other state in the union. Most of Pennsylvania's police departments are quite small and unable to provide a full range of police services.

The first regional department in Pennsylvania was established in 1972, and thirty-four more followed over the next three decades. More and more, the concept of regional policing is gaining favor with municipal leaders who are faced with stagnant or declining sources of revenue. Most regional police departments have been created to strengthen existing police services, especially in the areas of administration, supervision, training, investigation, patrol and specialty services. The concept of regional policing continues to experience growth and draws increasing interest across the Commonwealth.

To assist in the start-up of regional police departments, the Center offers two grant programs: the Shared Municipal Services Grant Program and the Regional Police Assistance Grant Program, that is coordinated with the Pennsylvania Commission on Crime and Delinquency.





As part of the Center’s public safety initiative, staff provides technical assistance to volunteer emergency service organizations across the Commonwealth. The Center’s two primary methods of assistance are the Fire Services Task Forces and the Peer-to-Peer Program.

Task Forces comprise fire company personnel, elected officials and citizens from the communities represented. Their mission is to assist the volunteer organizations with strategies for recruitment, retention, education and administrative issues regarding business operations. On a higher level, some task forces are asked to provide direction for merging or consolidating two or more emergency service organizations. Currently, there are approximately 60 active task forces at work throughout the state.

The Peer-to-Peer Program objectively studies and evaluates emergency service organizations to recommend how to enhance, grow and operate more efficiently as business and social organizations. Through the Peer-to-Peer Program, the Center completed nine separate studies during the fiscal year.

Much of the work done for volunteer emergency service organizations follows the format and recommendations contained in the House Resolution 148 report. Completed by the Legislative Budget

and Finance Committee and released in June, 2005. This report documents the use and success of Task Forces throughout the Commonwealth and the positive impact they have had upon volunteer emergency organizations. The report describes a variety of “partnerships” that can be achieved through collaboration and combination of assets.



REGIONAL CODE ENFORCEMENT - UNIFORM CONSTRUCTION CODE

The Center continues to monitor legislative changes to the Uniform Construction Code and assist government officials, third-party agencies, contractors, design professionals and property owners in understanding and complying with the regulations associated with the statewide building code.

Because the regulations to enforce the Commonwealth's first comprehensive construction code have now been promulgated, the Center has focused on providing support to more than 90 percent of the municipalities that have opted-in to provide administration of the code. Act 2004-92 designated the Governor's Center for Local Government Services as the principal agency for developing and providing

technical assistance to municipalities for implementing, administering and enforcing the provisions of the Act.

With this responsibility, the Center will continue to work with its contracted training partners, specifically the Pennsylvania Construction Codes Academy, to enhance current outreach and further develop the means to disseminate the large amount of

information and clarify issues related to the enforcement of the UCC.

In addition, the Center is fulfilling its' legislative responsibility to collect the required quarterly construction permit reports and the accompanying permit fees to facilitate the aforementioned training through the PCCA and the Pennsylvania Housing Research Center (PHRC).

ACT 47 DISTRESSED COMMUNITIES

The Municipalities Financial Recovery Act of 1987 (Act 47) was enacted to provide a broad-based program of fiscal management oversight, technical assistance, planning and financial aid to municipalities experiencing severe fiscal distress. Emphasis is placed on long-term solutions that focus on fiscal management improvements, intergovernmental cooperation, community development activities and the early identification of municipalities with tendencies toward financial distress.

Act 47 does not provide for a takeover, rather the State's role is to provide strong oversight and develop a partnership with the municipality in order to ensure that residents receive vital services.



Franklin Borough, Cambria County

Involvement with the Borough of Franklin continues under the Municipalities Financial Recovery Act. The current focus is to grow the tax base, maintain municipal services and increase financial management capacity of limited resources through implementation of their Recovery Plan.

A July 2006 announcement that a Business in Our Sites (BOS) planning grant of \$175,000 was awarded to

Franklin Borough and EMF Corp. by the Department and Commonwealth Financing Authority to assist in the remediation and redevelopment of a former Bethlehem Steel Franklin Mills industrial 90-acre brownfield site provided optimism to Borough officials. EMF Corp. currently uses the property as a scrap metal recovery facility.

The BOS planning grant of \$175,000 and \$25,000 of EMF funds provide an opportunity to identify and evaluate redevelopment alternatives and

potential uses of the site. Specific environmental remediation activities include an assessment and evaluation of existing utilities, subsurface materials, asbestos, hazardous materials and structural buildings.

Planning activities are expected to take up to twelve months. Proposed future uses at the site are contemplated to be industrial and/or commercial consistent with the Cambria County comprehensive plan.

The EMF Corp. site is adjacent to an existing industrial employer, Freight

Car America, a railcar making facility. In addition, a former coke manufacturing facility is located in the Borough that is also connected to a railroad spur available for future redevelopment.

This project has the potential to create up to 200-250 new jobs and to grow and stabilize not only the tax base of Franklin Borough but also the surrounding area including the City of Johnstown. The development will offer new business opportunities and improve the quality of life for area residents. There is the potential to generate approximately \$3m of investment for Franklin with this redevelopment project and an additional \$10m for the Borough overall should other industrial property also redevelop.

Borough of Homestead

Rescission of Act 47 Designation as Distressed Community

DCED Secretary Dennis Yablonsky announced on March 29, 2007, that after 14 years as a financially

distressed community, Homestead Borough in Allegheny County has reestablished fiscal stability and shows promise for continued improvements and economic growth. Homestead Borough is the sixth municipality to exit the Municipalities Financial Recovery Act (Act 47) Program since 1987.

Homestead Borough was officially designated a financially distressed community in 1993 after suffering its fourth consecutive budget deficit of more than 5 percent and a debt of \$511,000 the previous year.

Following the decline of the steel industry and the closing of the Homestead Steel Works site, the borough suffered a 34 percent loss in population since 1970, a 46 percent decline in real estate value since 1985, and occupational privilege tax declines of more than 62 percent.

Department of Community and Economic Development Secretary Dennis Yablonsky visited the community to mark the borough's

financial recovery and exit from the Act 47 Program. "Through a collaborative effort with the Governor's Center for Local Government Services and the Act 47 Coordinator, we put in place a recovery plan to help improve the borough's tax base, increase the borough's financial management capacity, develop administrative enhancements and implement strategic community and economic development initiatives that have dramatically changed the landscape in Homestead," Secretary Yablonsky said.

Between 2000 and 2005, Homestead saw its revenue increase from \$2.9 million to \$3.58 million. In 2006, the borough began the process to rescind its financial status after it was determined that the accrued deficits were alleviated, the debt obligations repaid and the borough operated with a positive operating fund balance for at least a year.

The Commonwealth was an active partner in the borough's resurgence, making the necessary investments to revitalize the community and improve its quality of life. The State supported numerous projects, such as infrastructure improvements and development of the Homestead Steel Works site along the waterfront into commercial and mixed-use space.

"Homestead has made tremendous progress since entering into Act 47. The borough has worked to increase efficiency at the administrative level, develop sound fiscal policies and create projects that will improve the municipality's economic standing," Secretary Yablonsky added.

Homestead joins three other Allegheny County municipalities that have exited the Act 47 Program, including Wilkensburg, East Pittsburgh and North Braddock Boroughs. In addition, Shenandoah Borough (Schuylkill County) and Ambridge Borough (Beaver County) have also had their financial distress designation rescinded.



City of New Castle, Lawrence County

Declared Distressed Community by Department

The City of New Castle in Lawrence County was the most recent municipality to receive designation as a distressed community under the Municipalities Financial Recovery Act of 1987 (Act 47) on January 5, 2007 and is the 23rd municipality to receive such a designation..

Secretary Yablonsky made the determination after reviewing evidence gathered from the Governor's Center review of the City's finances as well as the record from the public hearing held on December 6, 2006.

New Castle operated with a deficit since 2000 and failed to meet its minimum municipal obligation to fund pension plans for City employees in 2005 and 2006. The Mayor inherited a deficit when taking office in January 2004 and instituted cost containment and revenue enhancement measures that included participation in the Department's Early Intervention Program. However, Secretary Yablonsky determined that providing State assistance through Act 47 would be the best way to address the City's financial situation.

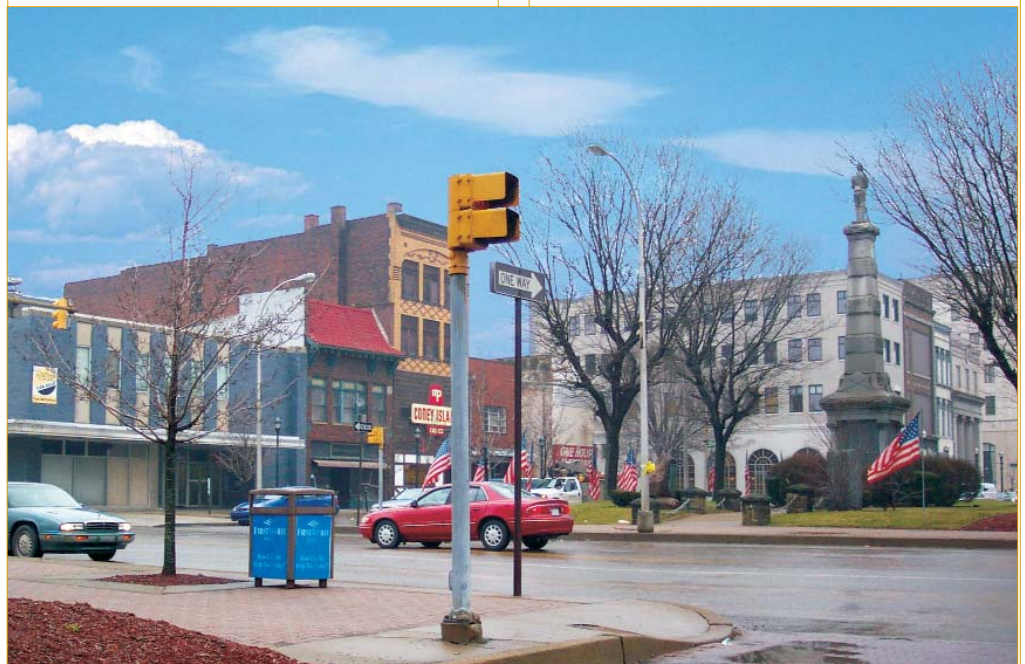
New Castle's current condition did not happen overnight and the path to fiscal solvency will require a long-term commitment to fiscal discipline. The Governor's Center identified root causes of the City's financial stress that focus on a stagnant revenue base; increasing annual costs particularly in public safety departments and employee benefits; employing one-time revenue strategies that are not sustainable; employing other methods such as rolling over increasing levels of accounts payable and accrued payrolls; and lack of a long-term capital improvements program.

Other relevant factors found by the Governor's Center contributing to the City's financial distress designation were extraordinarily high debt service obligations as part of total operating costs; expenditures continuing to outpace revenue; continued failure to make required annual payments into employee pension plans; use of inter-fund transfers from other governmental and proprietary funds as a strategy to remain solvent; negative socio-economic and demographic trends; and deficient administrative and financial management practices.

The joint team of Eckert, Seamans, Cherin, and Mellott LLC and Public Financial Management, Inc. was appointed as Recovery Plan Coordinator in February 2007 and charged with the task of developing a comprehensive multi-year fiscal Recovery Plan to provide a strategy for long term fiscal stability. The Recovery Plan Coordinator examined all areas of municipal operations including organizational structure, financial administration and level of municipal services.

The Plan was prepared with considerable input from City officials and the public and was adopted by City Council and signed by the Mayor on August 9, 2007. Major Plan initiatives focus on several operational areas and seek to decrease expenditures and increase revenues in the most effective and efficient manner possible. Plan recommendations combine to create improved management of resources, financial stability, enhanced administrative capacity, increased productivity, cost-containment and tax base growth in the areas of management and administration, economic development and marketing, managed competition and outsourcing, departmental restructuring, intergovernmental and regional cooperation, revenue enhancements and reversal of current economic and demographic conditions.

The Act 47 Coordinator and the Department continue to work closely with City officials to guide the City towards long term stability through the implementation of the recommendations in the adopted multi-year Recovery Plan.



LOCAL GOVERNMENT CAPITAL PROJECTS LOAN PROGRAM

Through the Local Government Capital Project Loan Program small municipalities can receive secured funding to help finance important capital purchases and projects. Local governments with populations of 12,000, or less, are eligible to get guaranteed fixed low-interest loans at an interest rate of 2 percent. The loans can be used for purchases of equipment and also the purchase, construction, renovation or rehabilitation of facilities.

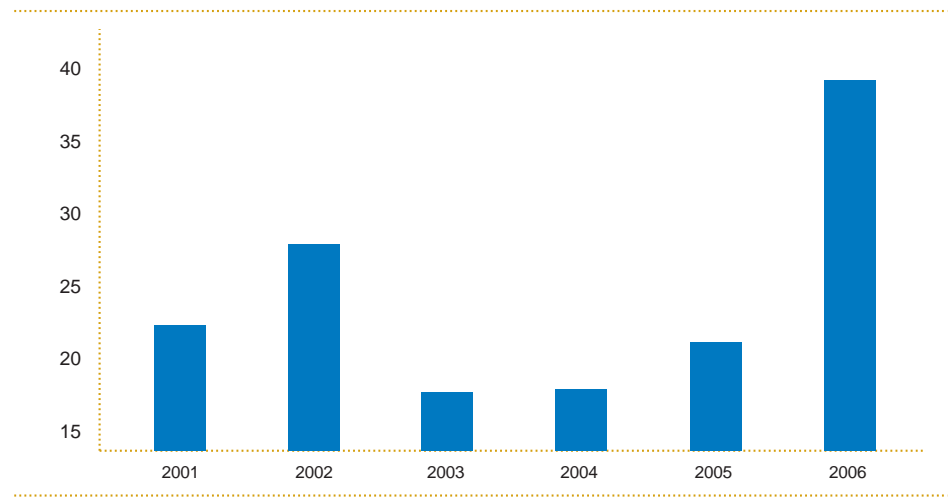
Act 66 of 2006, temporarily increased the maximum funding limits for equipment related loans to \$50,000 and a maximum value for facility related loans to \$100,000. The increase in the limits applied only to loans funded in fiscal year 2006-07. The loan repayments were amortized over a period not to exceed 10 years or the useful life of the equipment or facilities, whichever was less.

Owing to the increased funding limits and the program's low interest rate, a record number of 37 municipalities in 25 counties were funded through this loan program during fiscal year 2006-2007. Historically, the Center has \$1,000,000 available for municipal loans under this program each fiscal year; however, the Center requested and received authorization for an additional \$500,000 in funding for a total of \$1,500,000 worth of projects.

In FY 2007-08 the Center will again have \$1,000,000 available to loan to eligible municipalities through this program. Additionally, the funding

limits will revert back to \$25,000 for equipment purchases, or \$50,000 for qualified facility projects.

CAPITAL PROJECT LOAND FUNDED BY FY YEAR



EARLY INTERVENTION PROGRAM

The Early Intervention Program began as a plan to avert local governments' fiscal crises by addressing management and fiscal problems in a proactive and professional manner. The original 13 local governments quickly grew to 31 communities in FY 06-07, including counties, cities and boroughs throughout the Commonwealth.

The EIP program is divided into two parts. Part I reviews and assesses virtually all activities and functions of the local government. A series of recommendations follow to improve operations, including a proposed five-year plan to address the concept of fiscal stability and how to achieve and maintain it for the five-year period and beyond. The professional review is a service that most local governments do not have the resources to acquire.

Part II extends the original EIP program, by providing funds to implement Part I recommendations and professional technical assistance. The funds can provide upgraded hardware, software or new programs related to accounting, personnel or other departmental operations. Some of the early entrants into the EIP have recently received completed Part I reports. If these local governments officially adopt the EIP report, they will be eligible to apply for Part II funding.

The EIP program is available to all local governments in Pennsylvania. The Part I report provides an excellent fiscal and managerial tool for the local government and staff. It enables them to build local capacity for long-term fiscal stability and economic health. Early recognition of problem areas through the EIP program can help local government officials take the steps necessary for maintaining quality of life for residents in their communities.

SHARED MUNICIPAL SERVICES PROGRAM

The Shared Municipal Services Grant Program (Program) received a 2.4 million dollar appropriation for the fiscal year. The Center awarded 66 grants that will have a positive impact on more than 760 local governments across the state. Many of the grants supported intergovernmental cooperation projects that will have significant regional community impact. The projects included Councils of Governments, public works, public safety, regional police and municipal boundary change efforts.

Local governments' interest in developing regional cost-sharing strategies to provide expanded and improved services to their constituents continues to increase, and, as such, the Program will continue to support local government initiatives that have multi-jurisdictional, county and regional influence.

The Program also worked with other grant programs, including the Land

Use Planning and Technical Assistance Program and programs from DCNR, to plan and implement large regional projects. The Center will continue to emphasize partnering with other state agencies and within DCED to increase applicants' success on projects. The Center will strive to expand these partnerships to provide local governments with additional flexibility and access to additional funding mechanisms.



MUNICIPAL STATISTICS

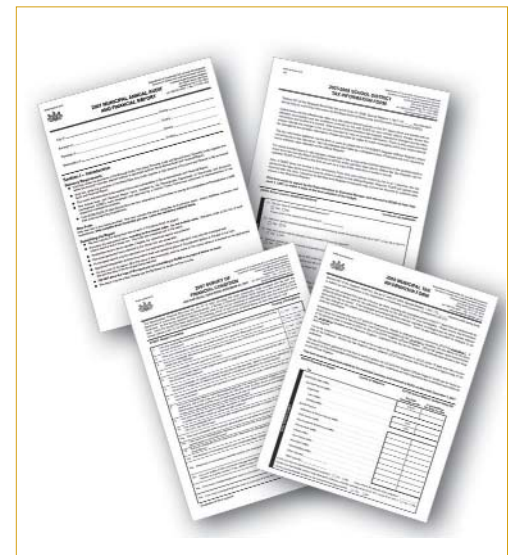
Under various state statutes the Governor's Center for Local Government Services is the designated repository for a range of local government tax, financial and demographic data. As a result, the Municipal Statistics site is heavily accessed by national employers, researchers, government officials and the general public. Additional enhancements to the site were completed during 2007 and the site now provides a more user-friendly environment which makes it easier for users to e-file their reports while improving the accuracy of the data. With the enhancement of the site to date, the number of hits for the last fiscal year totaled more than 21 million with steady increases in the number of hits per month between 2006 and 2007. The enhancements support the Center's ability to provide more timely and accurate information and allow data to be more readily accessed.

The Center uses the following forms to collect the legally required local government data: Tax Information Form, Annual Audit and Financial Report/Annual Financial Report, Report of Elected and Appointed Officials, Survey of Financial Condition, and Annual Report of Municipal Authorities.

The Tax Information Form is used to capture tax rates for the upcoming year from municipal and county governments as well as school

districts. Tax information reported on the Tax Information Form is reflected on www.newPA.com in the Tax Register, which is the official source for employers to determine withholding rates for their employees. The Tax Register is officially released twice per year: June 15th and December 15th.

Recent updates have been made to the Municipal Tax Information Form and the Tax Register to accommodate the tax law changes in Act 1 of 2006 and Act 7 of 2007 that impact the Earned Income and Local Services Taxes.



Municipal governments complete the Annual Audit and Financial Report, allowing DCED to report a variety of financial information online, such as: tax revenues, charges for service, state and federal revenue, police and fire expenditures, general government costs, public works expenditures and debt. The county version of the form, Annual Financial Report, was revised to be compliant with Generally Accepted Accounting Principles, as required by Act 2002-103 that became effective for the 2006 report.

The Report of Elected and Appointed Officials form is completed by both municipal and county governments.

Captured on this form are the names and contact information for all common local government official classifications, as well as various demographic information that is used for research and comparison purposes.

The Survey of Financial Condition is completed by both municipal and county governments. This filing is required by Act 47, and it assists the Center to identify communities which may be in financial distress. Once identified, the Center's regional staff will work with these communities to determine if technical assistance is warranted.

The Annual Report of Municipal Authorities form provides a breadth of financial data such as cash, investments, fixed assets, liabilities, debt and contributed capital, as well as operating and non-operating revenues and expenses. Authorities are required to have a CPA audit done each year, and the CPA report is part of the authority's submission to DCED.

The Center continues to update and improve the web-based applications for electronic submission of required reports and continues to encourage municipalities, counties and school districts to e-filing their DCED forms.

TECHNICAL ASSISTANCE

As the one-stop shop for Pennsylvania's local governments, the Center provides a full range of technical help in a number of areas, including cooperative purchasing, elected and appointed officials, roles and responsibilities, intergovernmental cooperation, police, volunteer fire companies, financial management, public administration, code enforcement and public risk management.

Local government officials are encouraged to call 1-888-223-6837 if they need assistance. Alternately, those who wish to request assistance may visit newPA.com and access the Letter of Intent under the Department of Community and Economic Development link for Assistance.

In FY 2006-2007, the Center received more than 62 formal requests from local governments for technical assistance. The Center generally provides the municipalities with written reports that contain recommendations for change.

TECHNICAL ASSISTANCE

Type of Assistance	# of Assists
Finance	13
General Administration	18
Police - Management	8
Police - Regional	13
Public Works	1
Volunteer Fire	9



Local and county governments have an important responsibility to plan the future of their communities. For older communities, this includes breathing life back into downtowns and vacant buildings, improving existing infrastructure, attracting new economic development projects and improving the overall quality of life. For rapidly growing communities, this includes accommodating new residential, industrial and commercial development while minimizing the growth-related issues such as loss of farmland, traffic congestion, excessive storm-water runoff and adverse environmental impacts. Local and county government can take full advantage of the tools that have been made available to them by the Pennsylvania Municipalities Planning Code (MPC) to plan the future of their communities. In taking advantage of these tools, they can use them for more than just land use planning tools. They can use them as a "springboard" for new community and economic development.

The Governor's Center for Local Government Services is the lead agency in State government to monitor land use planning and to assist municipalities and counties with these important responsibilities. To meet these responsibilities, the Center's action plan is separated into four areas: Financial Assistance, Technical/Education Assistance, Interagency Coordination, and Outreach.

Financial Assistance

Community Planning and Implementation Programs

The Land Use Planning and Technical Assistance Program (LUPTAP), administered by the Governor's Center for Local Government Services, is the single program in state government with a direct mandate to provide financial assistance for community planning. Grants are awarded to counties, cities, boroughs, townships, and partnerships of multiple municipalities for two purposes: 1) community planning and 2) plan implementation activities.

While LUPTAP continued in FY2006-07 to fund a staple of county comprehensive plans and single- and multi-municipality comprehensive plans, LUPTAP also gave priority to fund planning for community revitalization efforts and other practical implementation activities. Grants were awarded for core community revitalization strategies, downtown and residential neighborhood improvement plans, conceptual designs for better models for development, and creative approaches to development regulations. More emphasis was placed on LUPTAP being used to help a community prepare for a potential engagement with the DCED Community Action Team.



Examples of Community Planning Program:

Bradford City and surrounding Foster and Bradford Townships are undertaking a "master (action) plan for community growth". It focuses on revitalizing the Bradford community and outlining a new community and economic development strategy. Particular effort will be expended on how to improve quality of life, attract new growth industries, target land use for new development, improve housing and infrastructure, and enhance the historic downtown.

Three boroughs across the Susquehanna from Harrisburg – Wormleysburg, Camp Hill, and Lemoyne – are working together under an intergovernmental agreement to develop a multi-municipal comprehensive plan. All three boroughs are seeking revitalization and have a common vision of a "West Shore Downtown".

Westmoreland County and 15 municipalities in the US 30 corridor are undertaking a major plan to design new models for development in the corridor. The goal is to create conceptual designs that accommodate



all types of development, enhance the character of the area, create new market excitement, and better manage traffic on already-choked US Route 30. These designs will be translated into creative land use regulations municipalities in the corridor will be considering for adoption.

Examples of Implementation Program:

Mechanicsburg Borough, Cumberland County, is preparing new zoning and subdivision and land development ordinances to implement a recently-completed comprehensive plan, also funded by LUPTAP. Innovative ordinances are desired to drive 21st century development by building off the community's 19th century character. Ordinances are being designed to revitalize a traditional downtown, encourage the right business mix, and encourage infill and redevelopment within the context of guidelines that complement historic preservation.

Clinton and Buffalo Townships in Butler County are using LUPTAP funds to prepare a Transfer of Development Rights program in their zoning ordinances. TDR is an approach that uses land use

regulation in conjunction with the free market to encourage rural areas to remain undeveloped and the demand for growth to be steered to desired target areas. Because Clinton and Buffalo Townships have an adopted multi-municipal plan (prepared with prior FY LUPTAP funds), development rights can be transferred between the two townships.

Transit Revitalization Investment District (TRID) Plans

In FY 06-07 LUPTAP continued to provide funding for the development of Transit Revitalization Investment District (TRID) Planning Studies (Act 238 of 2004). The Planning Studies are required under Act 238 of 2004 in order for a municipality to establish a TRID.

Example of a TRID Planning Study Grant:

The City of Greensburg is undertaking a TRID planning study to complement revitalization efforts underway with assistance from the DCED Community Action Team. The study will look at the development potential of interspersed vacant and underutilized properties, their connection to nearby bus and Amtrak stations, and transit

upgrades to serve the area and enhance the attractiveness of the area for development by bringing more people to downtown Greensburg.

Educational/Technical Assistance

Center staff provide a tremendous amount of technical assistance to municipal and county officials on the important issues such as comprehensive planning, community and economic development, zoning, municipal codes and other aspects of the local governments. These officials include elected officials, municipal managers, zoning hearing board members, planning commission members, zoning officers and other appointed officials. The Center publishes a series of ten publications on land use planning and other related topics. The Center has been working to update the publications to address any new legislation and new knowledge of best practices. All of these publications are available on the Center's land use website-www.landuseinpa.com. It also provides the Case Law Library on its website. The Case Law Library provides access to brief summaries of land-use related case law and summaries of land-use related legislation. This library is being used everyday by municipal and county officials, professional planners and solicitors.

As a component of its training program for municipal officials, the Center via the Pennsylvania Local Government Training Partnership provides particular training for planning. It includes a wide-range of topics and is delivered through open enrollment programs and requested on-site programs. In recent years, the Center has found success in on-demand, on-site programs in which a county and/or a group of

municipalities request training at their site for a topic or topics of particular local interest. Also, the Center continues to provide each LUPTAP grant recipient \$1,200 for training of municipal officials, a steering committee, and/or citizens involved in the planning project.

The Center offered a number of training programs during the past year. The following is a list of some of the most notable programs offered this year:

- > CDBG Section 108 Loan Program
- > Duties of a Planning Commission
- > Duties of a Zoning Hearing Board
- > Duties of a Zoning Officer
- > The Municipalities Planning Code Made Easy
- > What's the Big Deal About Zoning
- > PA Real Estate Academy
- > Official Map

Interagency Coordination

Interagency Team

The Governor's Policy Office and the Center jointly chair the Commonwealth's Interagency Team on Land Use. This Team consists of 15 state agencies and seven (7) offices of the Governor. The Team works with the Governor and commonwealth agencies to develop, coordinate, and integrate state agency policies, programs, and actions to promote economic development that fosters and sustains health, economic vitality, natural and historic resources, and enhanced quality of life in Pennsylvania's diverse urban, suburban, and rural communities.

During the past year the Team worked on incorporating the Keystone Principles for Growth, Investment and Resource Conservation into state agency funding programs in order to get more strategic impact from Commonwealth investments. The

Keystone Principles are a set of principles and criteria that will be used by state agencies to guide investment and support local growth and economic development across the commonwealth. The principles and criteria realize Governor Edward G. Rendell's vision that the state needs to offer vibrant, clean and beautiful communities if families and businesses are going to call Pennsylvania home.

Transportation, Land Use and Economic Development Regional Action Plan

In response to the May 2003 Conference and follow-up Statewide Action Plan on Transportation and Land Use for Economic Development, coordinated by the Secretaries of the Departments of Transportation, Environmental Protection, Conservation and Natural Resources, Community and Economic Development, and Agriculture, and the Governor's Policy Office, the Center has been working with these agencies to promote development of action plans in ten different regions across the Commonwealth. These efforts represent a major step toward more coordinated community and economic development policies and investments – AND more

results and impact in improving the Commonwealth's economy and overall quality of life.

Regional Action Plans will identify economic development projects of greatest importance to the regions plus ways to coordinate various investments for transportation, land use, and economic development to provide most beneficial impact to the regions. Completion of these plans is expected by the end of FY 07-08.



Outreach

County Planning Directors

The Center continues to strengthen its partnership with the state's county planning directors via their affiliation with the County Commissioners Association of Pennsylvania. The Center meets with them quarterly. During these meetings, Center staff report on various Commonwealth initiatives, coordinate the Center's planning education program, provide help with planning related topics and issues, and receive feedback from the counties on highest priority planning issues and needs.

2005 Land Use and Growth Management Report

The inaugural 2005 Land Use and Growth Management Report, prepared by the Center and more extensively distributed in FY 06-07, contains information and conclusions regarding growth and development patterns in the Commonwealth and provides recommendations to Commonwealth agencies for coordination of executive action, regulation, and programs. The report will be updated and published at five year intervals.

The report is available on the Center's website at www.landuseinpa.com. It is published in three parts. The first part is a one-page executive summary in the form of a map that includes summaries of the main components of

the report, (this part is not available on the web-site). The second part is the actual report which contains general information, data and conclusions regarding the growth and development patterns in the Commonwealth and provides recommendations to Commonwealth Agencies for coordination of executive action, regulation and programs. The third part is a web-based electronic tool that includes comparisons of land use patterns from 1992 and 2000 and the population and housing information from the 1970, 1980, 1990 and 2000 United States Census.

Pennsylvania State Planning Board

The Center and the Governor's Policy Office provide staff support for the State Planning Board. The Board, which is by statute an advisory board in the Governor's Office, was reactivated by Governor Rendell in 2003 and 2004 with the appointment of 15 citizens representing diverse interests and regions of the state. By law, four legislative members appointed by the majority and minority parties in each house, as well as the Secretaries of Agriculture, Community and Economic Development, Environmental Protection, Conservation and Natural Resources, Transportation and Public Welfare are also members of the Board.

The Board in 2006 released its first report addressing three initial charges from the Governor:

1. Conflicts among development, municipal, and conservation interests and needs on open space and infrastructure;
2. Specific policies, such as criteria for state investments, incentives for more multi-municipal planning and implementation, attracting private investment, and tax and revenue sharing that will achieve smart growth goals for revitalization of cities and towns and sound economic development in rural communities; and
3. Proposed options for improved governance measures that will enable Pennsylvania to compete more effectively for economic growth while improving the quality of life in Pennsylvania's diverse communities.

The report can be found at www.landuseinpa.com. It makes a variety of recommendations including most notably:

Changes to the PA Municipalities Planning Code to promote more coordinated infrastructure planning and better consistency of community plans and their implementing zoning ordinances;

Providing, via a package of possible legislative changes, more voluntary options for cooperation or consolidation of municipal services, such as police, fire, or public works, and for municipal boundary change where found locally worthy, particularly due to municipal fiscal or other distress.

In FY 06-07, the State Planning Board began work in cooperation with relevant stakeholder groups to help craft actual legislation to implement its recommendations.



During the past year, the Center's floodplain management staff was involved in a variety of activities including disaster recovery, technical and financial assistance, training and program administration.

Disaster Recovery

In the past year, a number of major flooding events affected Pennsylvania, causing millions of dollars worth of damage to public and private property, and touching virtually all geographic areas of the Commonwealth. Municipalities, as well as individuals, were negatively impacted by these events.

The Center's staff was involved in the Commonwealth's overall disaster recovery efforts. In cooperation with the Federal Emergency Management Agency, the Pennsylvania Emergency Management Agency and Small Business Administration, Center staff compiled all available damage data as part of a statewide effort to assess the economic damage/impact of the flooding. As part of the recovery effort, Center staff again assisted at the FEMA/PEMA Joint Field Office in Harrisburg. The purpose of our participation was to help determine what unmet needs existed in housing, economic development and local government. Additionally, the Center included information on Hazard Mitigation Grant Program funding as part of its four (4) regional floodplain management workshops for municipal officials this past spring.

Technical and Financial Assistance

The Center is the lead state agency to provide technical and financial assistance to Pennsylvania's flood prone municipalities and to ensure that they comply with federal regulations established in the National



Flood Insurance Program (NFIP). During the past year, the Center provided technical assistance to more than 400 public and private sector entities.

The Center continues to assist municipalities such as the Borough of Milton, Northumberland County as they seek to meet FEMA and state flood proofing requirements on historic structures, which are located in the 100 year floodplain. Also, the Center provided technical assistance to several municipalities who applied for the NFIP's Community Rating System (CRS) program. Through the CRS program, property owners will soon be eligible for discounts on their flood insurance ranging from 5 percent to 45 percent.

Financially, the Center continued to administer the state's floodplain management reimbursement program. Reimbursements (totaling \$60,000) paid up to 50 percent of the costs associated with preparing, administering and enforcing floodplain zoning ordinances and floodplain

management ordinances which were necessary to comply with the NFIP and Act 166 requirements.

The Center prepared Floodplain Management (FPM) zoning amendments and conducted final review for seventy (70) Chester County municipalities that needed to comply with FEMA update mandates. Additionally, the Center was involved in a number of other ordinance reviews for compliance with NFIP regulations throughout the Commonwealth.

Repetitive loss properties (i.e., having more than one claim in a ten-year period) continued to be a major issue in the Commonwealth. As the state repository of data on repetitive loss properties, the Center played a key role in helping county and local municipal officials in developing mitigation plans concerning these properties.

Training

This past spring, the Center conducted a series of four regional floodplain management workshops throughout the state. The workshops focused on



the water resource and ecological benefits of floodplains. The course was designed to train individuals responsible for the administration of floodplain management ordinances and emphasized exceeding federal and state minimum regulatory requirements on resource protection and restoration.

Map Modernization

The Center in conjunction with FEMA and PAMAGIC sponsored a work session in May as part of the PA GIS Conference. The overall goal was the continuing development of recommendations for the enhancement of the Commonwealth's role in FEMA's Map Modernization Program to address the unique floodplain mapping needs of the Commonwealth. Among the issues discussed were: Floodplain data consistency and currency, increased communication between stakeholders, Commonwealth input into FEMA's Map Modernization Plan and flood mitigation coordination among and within levels of government. Future sessions are planned to further the initiative.

Center staff also helped to organize and participated in post flood risk evaluation meetings in Luzerne, Lackawanna, Bradford, Susquehanna, Wyoming and Sullivan Counties.

Center Floodplain Website

The Center continued to move forward with its mission to be the one stop shop for local officials by creating a web page specifically focused on floodplain issues. The web page, located at www.newPA.com, provides online access to critical flood-plain information and documents for local officials.

One of the main features of the web site is online access to our publication series, Suggested Provisions for Local FPM Ordinances (Provisions), which is designed to assist local officials in managing the flood-plain areas of their communities. Recently updated, the Provisions provide language that meets the minimum requirements of both state and federal flood-plain regulation.

The site also provides a direct link to FEMA's Map Store which includes FEMA flood maps for PA municipalities that have officially identified flood hazards. The Center processes a number of requests for floodplain delineation data. This information is critical to locating what areas of a municipality are in a floodplain.

Information provided includes floodplain maps and flood insurance studies (FIS) to public and private engineering firms. The Center also advises property owners on how to

obtain floodplain maps and FIS documents online. This information is needed to refine the potential flood impact on specific land parcels for insurance and mortgage purposes.

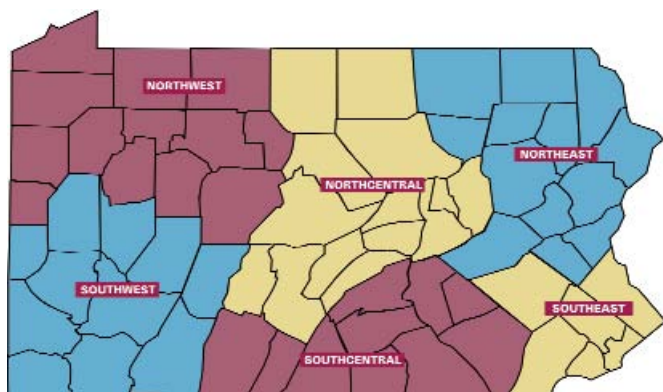
Looking Forward

FEMA's Map Mod program will continue to be a priority of the Center in the coming year. The multi-tiered plan consists of eleven areas or objectives over the next four years, based upon the availability of federal funding.

Some of the goals include:

- > gathering base flood information developed by state agencies and making the information available to communities for use in their local regulatory programs;
- > establishing a statewide floodplain mapping advisory committee to bring together local, state and federal agencies to develop and utilize base flood information and mapping;
- > providing technical assistance to communities after the preliminary maps are issued;
- > providing financial assistance to regional planning groups to assist with FIS/FIRM preparation; and
- > providing technical assistance to interested communities and citizens in qualifying for flood insurance premium discounts under the Community Rating System Program.

Finally, in addition to the Map Mod program, the Center will again contract to have over 80 community assistance contacts and 40 community assistance visits. Also, the Center has committed to performing over 145 floodplain management ordinance reviews and updates, as well as continuing our regional floodplain management workshop series throughout the Commonwealth.



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Note: Act 58 of 1996 created the Governor's Center for Local Government Services within the Department of Community and Economic Development. Act 58 requires the Center to report to the Governor and Lieutenant Governor on its activities on an annual basis.

This report fulfills the Center's obligation for the fiscal year ending June 30, 2006. However, a number of significant events and activities have occurred since June 30 while this report was being prepared and are also covered in this report.