



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

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DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

IN RE:	:	TERMINATION OF DISTRESSED
	:	STATUS UNDER SECTION 255.1
CITY OF JOHNSTOWN	:	OF THE MUNICIPALITIES
CAMBRIA COUNTY	:	FINANCIAL RECOVERY ACT

DEPARTMENTAL DETERMINATION AND ORDER

1. On August 20, 1992, the City of Johnstown (the “City”) was designated a financially distressed municipality pursuant to the Municipalities Financial Recovery Act (“Act 47”), codified at 53 P.S. § 11701.101 *et seq.*.
2. On January 4, 2023, Deborah Grass, Grass Root Solutions, the Act 47 Coordinator for the City, filed a final report which recommended termination of the City's distressed status.
3. In accordance with Section 255.1(a) of Act 47, on January 26, 2023, a public hearing was held at which a designated hearing officer received evidence regarding the potential termination of the City’s distressed status.
4. In determining whether the City’s distressed status shall be terminated, Section 255.1 of Act 47 requires a consideration of whether:
 - a) 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.
 - b) Obligations issued to finance the municipality’s debt have been retired, reduced, or reissued in a manner that has adequately refinanced outstanding principal and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.
 - c) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of default.

d) 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.

53 P.S. § 11701.255.1(c)(1)-(4).

5. With regard to the first factor, operational deficits have been eliminated and the City has generated an excess of revenues over expenditures for the last 6 years resulting in an unrestricted reserve fund of \$6.9 million, according to the 2021 audited figures.
6. With regard to the second factor, the City's debt is reasonable, manageable, and able to be included comfortably in the City's annual budget. The City's total debt service payment in 2021 was \$1,078,727 and will remain at a level payment of about \$1 million per year for the next four (4) years. This is about 7% of the total budget and well within the recommended 10% debt service level set out by the Government Finance Officers Association.
7. With regard to the third factor, the City has confirmed that there are no claims and/or judgements that would materially impact the City's financial condition currently or in future years.
8. With regard to the fourth factor, financial projections (2022-2026) show annual revenues to be slightly in excess of the annual expenditures, despite the immediate losses expected after the enhanced local services tax ends on the date of the Act 47 exit.

AND NOW, this the 26th day of April 2023, upon review of the written recommendation of the Act 47 Coordinator, the recommendations of departmental staff and the Act 47 Coordinator, and the evidence received at the public hearing, along with other considerations, the above-captioned request is granted.

IT IS ORDERED that the status of the City of Johnstown, Cambria County, as a financially distressed municipality under the Municipalities Financial Recovery Act, Act 47 of 1987, as amended, is terminated.

By:



Frederick C. Siger
Acting DCED Secretary

City of Johnstown
CAMBRIA COUNTY

EVALUATION OF THE ACT 47 COORDINATOR'S RECOMMENDATION TO
TERMINATE FINANCIALLY DISTRESSED STATUS UNDER ACT 47, THE
MUNICIPALITIES FINANCIAL RECOVERY ACT

HEARING HELD: January 26, 2023

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
GOVERNOR'S CENTER FOR LOCAL GOVERNMENT SERVICES

HEARING REGARDING TERMINATION OF DISTRESSED STATUS OF THE CITY
OF JOHNSTOWN

FINDING OF FACTS

A public hearing was held in the City of Johnstown (the "City"), Cambria County, on January 26, 2023, to receive testimony regarding the *Act 47 Coordinator's Recommendation to the Secretary of the Department of Community and Economic Development* ("DCED") *for the City of Johnstown* (the "Recommendation" or "Recommendation and Report") to terminate the designation of distress made on August 20, 1992, under Act 47 of 1987, as amended, also known as the Municipalities Financial Recovery Act. Notice of the public hearing was advertised in accordance with Section 203 of Act 47 and the Sunshine Act. The purpose of the hearing was to gather information on the City's financial condition to assist the Acting Secretary of DCED in determining whether the City's financial condition satisfied the necessary conditions to terminate its distressed status and to inform the officials, employees, and citizens of the City of Johnstown of the Act 47 termination process.

Prior to the hearing, the Act 47 Coordinator for the City (the "Coordinator" or "Recovery Coordinator"), Deborah Grass of Grass Roots Solutions, LLC ("GRS"), submitted her Recommendation to DCED which reviewed the statutory factors necessary to request a termination of the City's distressed status, and the statutory criteria regarding whether to issue a determination of fiscal emergency in the City. At the time, based upon a review of the totality of the factors included in Section 11701.255.1(c) of Act 47, the Coordinator concluded that substantial evidence supported a determination to terminate the City's distressed status.

The Hearing Officer, Andrew Sheaf, Local Government Policy Manager with the Governor's Center for Local Government Services, made opening remarks welcoming everyone to the public hearing and stated that the public hearing would be held in accordance with Act 47. Mr. Sheaf stated the purpose of the proceeding was to receive testimony on whether the City of Johnstown's Act 47 distress designation should be terminated pursuant to Act 47 based upon the Coordinator's Recommendation dated January 4, 2023.

City Manager Ethan Imhoff, Act 47 Coordinator Deborah Grass, Mayor Frank Janakovic, Councilwoman Marie Mock, DCED Local Government Policy Specialist Bethany Williams, Resident Carl Seel, Resident John Debartola, and Resident Charlene Stanton provided testimony in support of the termination of the distress designation.

City Manager Ethan Imhoff testified that, over his first year as manager, he has developed an understanding of the generational impact that the loss of industry caused in the City. He went on to explain the depth of knowledge he has acquired surrounding the City's financial position, current limitations, and future opportunities. Mr. Imhoff testified further that he believes that the City is prepared to exit Act 47 because of a number of factors: a healthy fund balance, American Rescue Plan funding, and a hard-working council. While the City will need to monitor their financial condition carefully, he believes that his staff is capable of making difficult decisions to continue the positive financial trends they have been seeing in recent years. Mr. Imhoff closed by saying that it is his opinion that the City is prepared to exit the Act 47 program and offered his thanks to DCED staff and the Act 47 coordinator for their guidance and expertise, and to current and past City Council members for their dedication and hard work.

Deborah Grass, Consultant of Grass Roots Solutions, LLC, Recovery Coordinator, also testified in favor of termination of distressed status. Ms. Grass provided a history of her involvement in the City as a consultant and Act 47 coordinator and a history of the City's Act 47 distress designation. In August 1992, the City entered Act 47 because they met three criteria for eligibility: 1) The municipality had maintained a deficit over a three-year period of 1% or more; 2) The municipality's expenditures exceeded revenues for a period of three or more years; and 3) The municipality had experienced a decrease in the quantified level of municipal service – a result of the City reaching its tax limitations. Ms. Grass described the six amendments of the Recovery Plan. Grass Roots Solutions took over as the Act 47 coordinator for the City in 2016 and, after a number of public meetings, developed an Act 47 exit plan that set the exit date no later than October 28, 2021. However, with the COVID-19 Pandemic, the City pursued an extension that pushed the final exit date to April 28, 2023.

She testified that, a result of the Exit Plan, the City has been working to implement the recommendations set forth by the coordinator including stabilizing the management team; pursuing the sale/lease/disposition of assets; identifying and modernizing the form of government under a Home Rule Charter; enhancing revenues; containing costs; and continuing sustainability and resiliency planning.

Ms. Grass outlined the statutory factors that must be considered in order to rescind the Municipal Distress designation. Concerning the elimination of operational deficits, Ms. Grass stated that the City meets this requirement as all operational deficits have been eliminated and the City has generated an excess of revenues over expenditures for the last 6 years resulting in an unrestricted reserve fund balance of \$6.9 million according to the 2021 audited figures. Concerning timely debt service, the City meets this requirement because its debt is reasonable, manageable, and able to be included comfortably in the City's annual budget. The City's total debt service payment in 2021 was \$1,078,727 and will remain at a level payment of about \$1 million per year for the next four (4) years. This is about 7% of the total budget and well within the recommended 10% debt service level set out by the Government Finance Officers Association. Concerning the resolution of claims of judgments, the City has confirmed that there are no claims and/or judgements that would materially impact the City's financial condition currently or in future years. Concerning whether the City's projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, the City meets this

requirement because financial projections (2022-2026) show annual revenues to be slightly in excess of the annual expenditures, despite the immediate losses expected after the enhanced local services tax ends on the date of the Act 47 exit.

Ms. Grass further testified that she also reviewed the initial criteria that qualified the City for the distress determination and found that the City no longer meets the requirements to be considered fiscally distressed by the Commonwealth. She concluded her testimony by stating that, based upon her review of the four factors for recission outlined in Act 47, the Recovery Coordinator's recommendation is to terminate the City's distressed status.

Mayor Frank Janakovic testified that he has been involved with local government in Johnstown in the separate capacities as councilman, deputy mayor and now as mayor for the last nine years. He explained that, at the beginning of his public service, the City was facing a \$1.2 million deficit annually and on the brink of bankruptcy and possibly receivership. He testified that the Council decided to work diligently to reverse the negative fund balance and fix the issues in the City government. They worked through a \$120 million sewage project and made investments in the city roadways to reverse the damage done by the 1977 flood. They initiated the sale of the city sewer system and received \$26 million to invest back into the community. They increased their contribution to the pension fund significantly and were able to bring it up to 97% funded. He further testified that he is proud of how they have utilized their annual budget, the ARPA funds, the RAISE grant, and how they have worked together as a council and with their legislature. He concluded his testimony by acknowledging the team of people that have been working hard for the City over the years and expressed his optimism for the future.

Councilwoman Marie Mock briefly testified that she agreed with the Mayor's comments and added that the City was relieved of \$60 million in debt obligations which was an added benefit from the sale of the City's sewer system.

Bethany Williams, Local Government Policy Specialist with the Governor's Center for Local Government Services, testified that in her review of the Act 47 criteria, it is her opinion that, due in part to the many accomplishments previously discussed, the City of Johnstown no longer meets the statutory requirements to be considered financially distressed. As City leadership has worked to implement the recommendations in the Recovery and Exit plans, they have been able to establish a professional staff with the expertise and capacity to effectively manage the City's day-to-day operations and to provide support to City Council as they make decisions that will impact the long-term sustainability of the municipality. Utilizing strategies such as the pursuit of a Home Rule Charter and the sale of the sanitary sewer system, the City's finances will be able to remain stable and strong in the coming years. Mrs. Williams further testified that, despite the challenges that the City will face with increasing public safety costs, inflation, and other rising costs of operations, with steadfast leadership committed to self-sufficiency and data-driven decision-making, the City should be able to find creative solutions to generate revenues to cover the losses they anticipate when exiting Act 47. She concluded her testimony with a recommendation to terminate the City's distressed status.

City Resident Carl Seel testified and commended City Council for their efforts to exit Act 47. He encouraged them to not let spending get out of control once they exit Act 47. He asked that City Council not petition the legislature for the increased Local Services Tax after they lose the statutory ability to levy it. He further offered opinions on previous City decisions such as the sale of the sewer system and the increased cost and difficulty it passed down to the residents. He also urged City Council to work to improve its police department and increase the presence of cameras around the City. He closed his comments with further commendations for the City's hard work.

City Resident John Debartola was sworn in and testified as to his frustration with the Local Service Tax hearing that occurred earlier in the day as he believes that the information conflicted with the testimonies presented during the Act 47 Recission Hearing prior to his own. He testified his opposition to many of the decisions made by City Council surrounding the sale of the sewer system, the City-owned conference center, the golf course and stadium, the lack of non-profit contribution to the tax base, and staff salaries.

City Resident and Former Councilwoman Charlene Stanton testified in favor of exiting Act 47 but raised concerns about municipal spending, the Local Services Tax, the lack of income from the remaining City assets, and the decision to hire consultants for planning projects in the City. She also stated that she agrees that the non-profits in the City should contribute to the tax base in the form of a Payment in Lieu of Taxes.

Hearing Officer Andrew Sheaf closed the period of public testimony and thanked those in attendance and those who testified. He then stated that all findings and a recommendation will be presented to Acting DCED Secretary Rick Siger for his consideration of the City's status as a financially distressed municipality. The hearing was adjourned at 6:50 pm.

CONCLUSION

The financial condition and position of the City of Johnstown has significantly improved and is projected to remain stable with its current level of service. The Act 47 Coordinator's recommendations, reports and the testimonies provided during this Act 47 Hearing reflect the improved financial condition and outlook that should allow the City to function with more independence. Based on a consideration of the factors set forth in Section 11701.255.1(c) of Act 47 it is recommended that the City of Johnstown have its status as a financially distressed municipality terminated at this time.

EXHIBIT A

Act 47 Coordinator's
Recommendation to the
Secretary of the Pennsylvania
Department of Community and
Economic Development for the
City of Johnstown

RECOMMENDATION TO RESCIND
DISTRESS DETERMINATION ORDER

Filed with the City of Johnstown
December 20, 2022
Filed with DCED January 4, 2023

Prepared by: Deborah Grass, Grass Root Solutions

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Background

The City of Johnstown is located in southwestern Cambria County. The Conemaugh River forms at Johnstown at the confluence of its tributaries the Stonycreek River and the Little Conemaugh. According to the US Census Bureau the City has a total area of 6.1 square miles. The City reached its peak population in 1920 with over 67,000 residents. It has faced a steady loss of population and tax base over the past 100 years with the biggest population losses between 1960 and 1990 as illustrated in **Table 1**.

As a result of population loss and the collapse of the steel industry, the City experienced a significant decrease in its two major sources of revenue – real estate and earned income taxes. By 1988, the City was experiencing significant deficits and service level challenges.

In a petition executed on June 15, 1992, the City of Johnstown (the “City”) requested that the Department of Community Affairs (now the Department of Community and Economic Development or “Department”) determine the City’s eligibility as a distressed municipality under Act 47 (the “Act”). On July 22, 1992, the Department issued its consultative evaluation which found that the City met three (3) of the Act’s criteria for a declaration of distress as shown in **Table 2**.

TABLE 1: POPULATION HISTORY

1920	67,327	21.3%
1930	66,993	-0.5%
1940	66,668	-0.5%
1950	63,232	-5.2%
1960	53,949	-14.7%
1970	42,476	-21.3%
1980	35,496	-16.4%
1990	28,134	-20.7%
2000	23,906	-15.0%
2010	20,978	-12.2%
2020	18,411	-12.2%

TABLE 2: MUNICIPALITIES FINANCIAL RECOVERY ACT – CRITERIA PRESENT FOR DISTRESS DETERMINATION

Criterion 1	The municipality has maintained a deficit over a three-year period, with a deficit of 1% or more in each of the previous five years.
Criterion 2	The municipality’s expenditures have exceeded revenue for a period of three (3) years or more.
Criterion 11	The municipality has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Based on these findings, and following a public hearing held on July 22, 1992, the Department found that the City was distressed pursuant to the criteria set forth in the Act. On September 18, 1992, a Recovery Coordinator was appointed for the City under the Act and a Recovery Plan was adopted by the City Council.

PROGRESS UNDER ACT 47

First Amended Recovery Plan On July 13, 1994, Council enacted Ordinance No. 4685 amending the Plan to incorporate the Point Stadium Study, dated April of 1994. Over the initial 3 ½ year period of implementation of the Recovery Plan, the City made substantial progress. Nevertheless, significant aspects of recovery addressed by the Recovery Plan required continuing and increased emphasis. Based upon an analysis contained in the Amended Recovery Plan, the Plan Coordinator concluded that although substantial progress had been made in implementing Plan recommendations and stabilizing the City's financial status, nevertheless, the conditions leading to distress had not been alleviated and the City should continue to operate pursuant to the Act and an Amended Recovery Plan.



Second Amended Recovery Plan Pursuant to Ordinance No. 4766, enacted by Council on February 26, 1997, Council approved the adoption and implementation of an Amended Recovery Plan. Pursuant to Resolution No. 8431 adopted by Council on March 12, 1997, Council authorized amending the Plan to incorporate a Comprehensive Recreation, Parks and Open Space Plan, prepared by Herbert, Rowland and Grubic, Inc. pursuant to a grant from the Commonwealth. Over the following 3-year period, the City continued to make substantial progress in implementing plan recommendations. Nevertheless, the conditions leading to distress were not alleviated and the Coordinator recommended that the City should continue to operate pursuant to the Act and a Second Amended Recovery Plan. Pursuant to Ordinance No. 4848, enacted by Council on January 3, 2000, Council approved the adoption and implementation of the Second Amended Recovery Plan.

Third Amended Recovery Plan In the fall of 2002, the Coordinator reviewed the progress made by the City since adoption of the Second Amended Recovery Plan. Based upon that analysis, the Coordinator concluded that although substantial progress continued to be made in implementing Plan recommendations, nevertheless the conditions leading to distress had not been alleviated and the City should continue to operate pursuant to the Act and a Third Amended Recovery Plan. Pursuant to Ordinance No. 4900, enacted by Council on December 30, 2002, Council approved the adoption and implementation of the Third Amended Recovery Plan.

Fourth Amended Recovery Plan In the fall of 2005, the Department and the Coordinator again reviewed the City’s progress in implementing plan recommendations and stabilizing the City’s financial status. On December 8, 2005, the Department held a public hearing in Johnstown to review that progress and financial status. During 2006 and the fourth quarter of 2007, the Department and Coordinator reviewed the City’s 2005 and 2006 audited financial statements and the City’s actual revenues and expenditures through September 2007. Based upon these reviews and analysis conducted in 2006 and 2007, the Coordinator concluded that the conditions leading to distress had not been alleviated and that the City should continue to operate pursuant to the Act and a Fourth Amended Recovery Plan. Pursuant to Ordinance No. 5009, enacted by Council on December 12, 2007, Council approved the adoption and implementation of the Fourth Amended Recovery Plan.

Fifth Amended Recovery Plan In the fall of 2010, the Coordinator reviewed the progress made by the City under the Fourth Amended Recovery Plan. Based upon that analysis, the Coordinator concluded that although substantial progress continued to be made in implementing Plan initiatives and improving the City’s financial condition, nevertheless the conditions leading to distress had not been alleviated and the City should continue to operate pursuant to the Act and a Fifth Amended Recovery Plan. Pursuant to Ordinance No. 5080, enacted by Council on December 30, 2010, Council approved the adoption and implementation of the Fifth Amended Recovery Plan. Continuing review of the City’s progress occurred during implementation of the Fifth Amended Recovery Plan. In the fall of 2012, the coordinator recommended that the City continue to operate under the Act and began preparation of the Sixth Amended Recovery Plan.



Sixth Amended Recovery Plan Pursuant to Ordinance No. 5137, enacted on October 28, 2013, Council approved the adoption and implementation of the Sixth Amended Recovery Plan. Continuing review and progress was made under the Sixth Amended Recovery Plan. In February of 2016, Grass Root Solutions was appointed as the Recovery Coordinator for the City of Johnstown. The new Recovery Team conducted an extensive review of the City’s financial condition. By late 2016, the City was facing a \$1.8 million operating deficit that had been rolling forward for several years. The City Council found it necessary to obtain an unfunded debt loan in the amount of \$6 million to restructure debt and to continue to operate and meet current year obligations.

Seventh Amended Recovery Plan Based on the Recovery Team’s evaluation, the City continued to meet three of the Act’s criteria under Act 47: 1) the City exhibited a structural deficit in seven of the past ten years; 2) expenditures exceeded revenues for three years or more; and 3) the City experienced a steady decrease in the level of municipal services over the past three years. Pursuant to Ordinance No. 5236, adopted on August 28, 2017, by a 5-2 vote (with Williams and Stanton opposed) Council approved the adoption and implementation of the Seventh Amended Recovery Plan.

THE EXIT PLAN

Initial Exit Plan Act 199, which amended Act 47 was enacted in 2014, providing that municipalities operating under a Recovery Plan are subject to a termination of financial distress designation on the date that is five years from the effective date of the most recent Recovery Plan. For the City of Johnstown, the relevant Recovery Plan for this timeline was the Sixth Amended Plan that was adopted on October 28, 2013. Further, Act 199 required that the Recovery Coordinator complete a report, prior to the end of the five-year period, evaluating the financial condition of the municipality, and asserting one of the following findings:

- 1) Conditions within the municipality warrant a termination of distressed status
- 2) Conditions are such that the municipality should be disincorporated
- 3) Conditions are such that the DCED Secretary should request a determination of a fiscal emergency, or
- 4) A three-year extension plan is warranted

On June 13, 2018 the Coordinator held a public meeting to present the *Financial Condition Evaluation* and to take public comment. Written comments were received by the Coordinator through June 22 and a final *Financial Condition Evaluation* report was filed with the City and DCED on June 30, 2018. Under Act 199, the Coordinator was required to file an *Exit Plan* no later than ninety (90) days from the close of the *Financial Condition Evaluation*. Pursuant to that provision, the Coordinator filed an Exit Plan with the City and DCED on September 21, 2018 and scheduled a public meeting to take public comment on Wednesday, September 26, 2018. The Coordinator concluded that a three-year extension and the development of an exit plan was warranted. The *Exit Plan* included strategies for ensuring a satisfactory exit from the Act 47 program no later than **October 28, 2021**.



Amended Exit Plan On May 29, 2020, due to the COVID-19 pandemic, Governor Wolf signed Act 23 of 2020 into law, providing an 18-month extension for municipalities designated as financially distressed according to the Municipalities Financial Recovery Act (Act 47 of 1987). For communities like the City of Johnstown the relevant provision is the following:

“A municipality operating pursuant to a recovery plan under the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act, shall be eligible for an 18-month extension beyond the time limit imposed under section 254 of the Municipalities Financial Recovery Act.”

The City aggressively implemented the Exit Plan initiatives for revenue enhancement and cost containment very successfully and, as a result, moved from a negative \$1 million in 2015 to an audited fund balance of \$2.9 million by year-end 2019. The financial stability demonstrated by the City’s progress towards addressing its structural deficits was noteworthy and recognized. It was a result of fiscal conservatism and difficult decisions relative to hiring and staffing departments.

But in 2020, the negative impact of COVID-19 diminished collections of business, local services, department fees, and earned income taxes and there was significant uncertainty about the City’s financial path moving forward.

The Coordinator confirmed the negative financial impact of the COVID-19 environment and the City elected to amend the Exit Plan to include the extension. Pursuant to Act 23 of 2020, the City’s new deadline to exit Act 47 is **April 28, 2023**.

FACTORS TO CONSIDER PURSUANT TO SECTION 255.1(C)

Under Act 47, Section 255.1(c), there are four factors to consider for the distressed status of a municipality to be rescinded. The full language of the Act is set forth below:

(c) Factors to consider.--If the secretary concludes that substantial evidence supports an affirmative determination for each of the following factors, the determination shall be that distressed status will be rescinded. The secretary shall consider whether:

(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 and reasonable probability of continued 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 a termination of distressed status.*

In this report, the Coordinator will assess each of the factors and analyze the relevant supporting documentation to determine whether there should be a rescission of the Act 47 distressed status for the City.

Factor 1 – Multi-Year Operational Deficits Eliminated

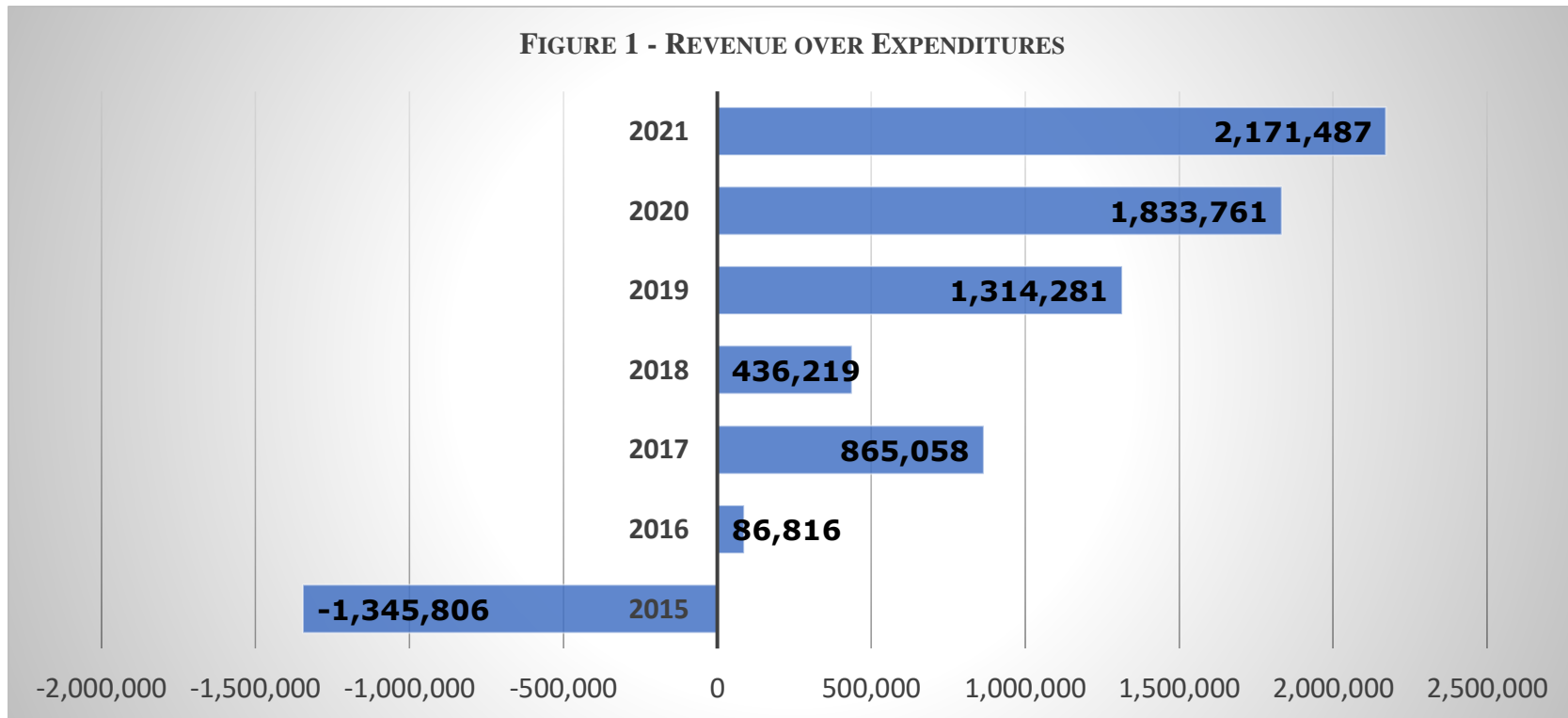
Operational deficits of the municipality have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable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

The City of Johnstown meets Factor No. 1 - annual operational deficits have been eliminated.

General Fund

All operational revenue and expenditures for the City are captured in the General Fund. As part of this review, the Coordinator obtained and reviewed the DCED audited Annual Financial Reports and the Audited Financial Statements as prepared by independent auditor Wessel & Co. from 2018 through 2021. **Figure 1** provides the historical trend of revenues over expenditures.

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- In 2015, the City faced a \$1.3 million deficit and was forced to restructure its debt and take an unfunded debt loan in the amount of \$6 million to meet operating obligations for 2016.
- The City adopted its Act 47 Recovery Plan in 2017 and its Exit Plan in 2018 – several important initiatives from the Exit Plan were implemented after the adoption of the Plans.
- Since 2015, the City has been able to add to the unrestricted fund balance in each year. By December of 2021 the fund balance had grown to \$6.9 million. Some of this reserve is being transferred annually to the capital fund for projects that have been neglected for decades.

For the years reviewed for this Rescission report, the General Fund sustained an excess of revenue over expenditures and a positive fund balance every year as shown in **Table 3** below.

TABLE 3: HISTORY OF GENERAL FUND AUDITED REVENUE AND EXPENDITURES 2018 - 2021

SOURCES	2018	2019	2020	2021
Taxes	11,272,357	12,537,087	11,459,280	11,571,123
PILOT	5,498	7,457	25,148	27,781
Licenses & Permits	389,470	435,495	368,345	413,598
Fines & Forfeit	93,488	95,813	188,006	217,347
Charges for Services	1,495	-	533,520	494,567
Departmental	191,452	179,272	164,665	170,234
Interest/Inv	27,315	23,225	16,378	(59,290)
Grants & Joint Projects	770,652	762,073	1,447,140	2,069,687
Other	243,134	261,700	211,207	689,986
TOTAL Revenue	12,994,861	14,302,122	14,413,689	15,595,033
USES	2018	2019	2020	2021
General Government	1,286,434	1,258,241	582,995	493,264
Finance	-	-	1,045,059	1,129,331
Public Safety	7,052,706	6,488,406	7,635,083	7,277,726
Community Development	151,796	178,398	212,658	344,295
Parking	-	-	266,844	189,377
Public Works	1,654,660	1,662,885	1,843,750	1,733,084
Culture & Recreation	247,285	280,741	569,750	290,203
Debt Service	-	-	1,094,103	1,098,050
TOTAL Expenses	10,392,881	9,868,671	13,250,242	12,555,330

FUND BALANCE	2018	2019	2020	2021
Excess of Revenue over Expenditures (Difference)	2,601,980	4,433,451	1,163,447	3,039,703
Operating Transfers In	593,987	709,764	722,834	131,784
Operating Transfers Out	(2,759,048)	(3,828,934)	(52,520)	(1,000,000)
Excess/(Deficiency)	436,919	1,314,281	1,833,761	2,171,487
Beginning Fund Balance	1,152,559	1,589,478	2,903,759	4,737,520
Ending Fund Balance	1,589,478	2,903,759	4,737,520	6,909,007

SOURCE: AUDITED FINANCIAL STATEMENTS AND DCED ANNUAL AUDIT REPORTS, WESSEL & CO., INDEPENDENT AUDITORS

By generating excess revenues over expenditures for the past six (6) years, the City has accumulated unrestricted reserve funds in the amount of \$6.9 million as reported at year-end 2021.

Factor 2 – Debt Obligations Managed

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 and reasonable probability of continued timely debt service absent participation in this act.

The City of Johnstown meets Factor No. 2 because debt that has been issued is reasonable, manageable, and able to be included comfortably in the City's annual budget.

In 2020, the City took steps to consolidate and restructure its debt to reduce the annual payments at a much lower interest rate. The City's total debt service payment in 2021 was \$1,078,727 and will remain at a level payment of about \$1 million per year for the next four (4) years. This is about 7% of the total budget and well within the recommended 10% debt service level set out by the Government Finance Officers Association. The City no longer requires a Tax Anticipation Note because there are sufficient reserves to support expenditures until tax bills are mailed to taxpayers. The unfunded debt loan that was necessary in 2016 will be paid off in 2026 eliminating about \$700,000 of annual debt service. This will provide an opportunity to pay down remaining debt. **Table 4** provides a history of the City's debt service payment.

TABLE 4: CITY OF JOHNSTOWN DEBT SERVICE HISTORY

DEBT ISSUE	2018	2019	2020	2021
\$6 Million Bond Principal Payments_2013	55,000	55,000		
KS State Bank Lease(Fire Trucks)	134,953	134,953	149,399	149,399
2016 Unfunded Debt Loan Principal	577,270	592,688	608,251	608,251
Police Car Lease Payments		17,528	35,056	35,056
GO BONDS 2020				55,000
TOTAL DEBT PRINCIPAL PAYMENTS	767,223	800,169	792,706	847,706
Debt Interest Payments- TAN Interest Payments	9,169	4,114		
\$6 Million Bond Interest Payments_2013	220,493	219,392		
KS State Bank Lease(Fire Trucks)	40,260	40,260	25,813	25,813
2016 Unfunded Debt Loan Interest	139,730	124,312	108,749	108,749
GO Bonds 2019		-		
Go Bonds 2020			96,459	96,459
TOTAL DEBT INTEREST PAYMENTS	409,652	388,078	231,021	231,021
DEPARTMENT TOTAL: DEBT SVC	1,177,575	1,188,247	1,023,727	1,078,727

SOURCE: CITY OF JOHNSTOWN FINANCIAL RECORDS, GRS ANALYSIS

Factor No. 3 – Claims and/or Judgments Resolved.

The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.

The City of Johnstown confirms that there are no claims and/or judgments that would materially impact the City's financial condition currently or in future years.

Factor No. 4 - Future Projections Indicate Sustainability

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 a termination of distressed status.

The City of Johnstown meets Factor No. 4 based on our review of the City’s financial condition and projections as set forth in this report.

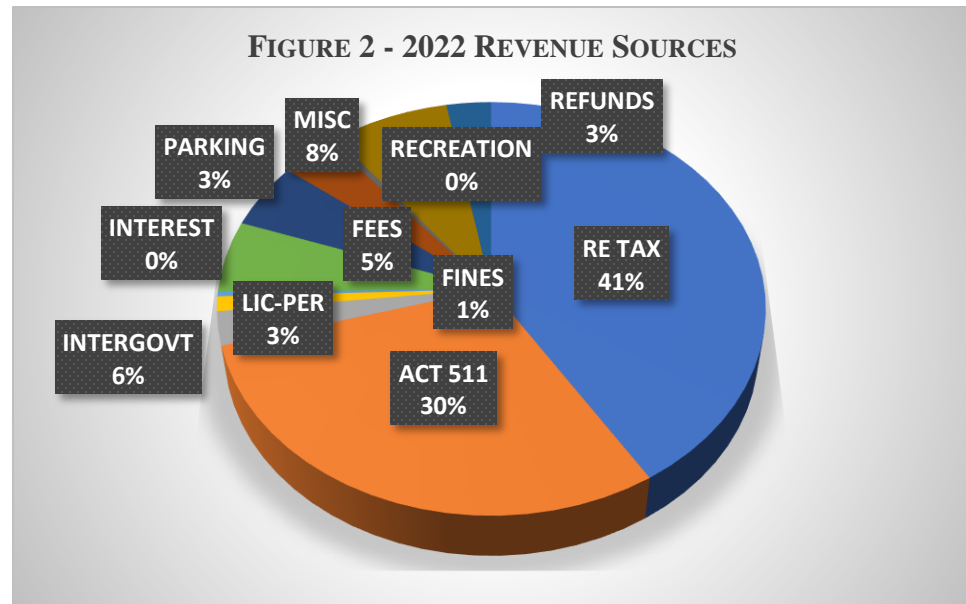
Major Revenue Sources

The City of Johnstown generates approximately \$15 million in revenue to support its General Fund expenditures. The revenue base increases at a rate that is less than 1% per year. In 2016, the City’s revenue was inflated when the City executed an unfunded debt loan and implemented the higher LST tax rate from \$52 to \$156 under Act 47. Revenue increased from \$15.1 million to \$15.7 million in 2021 partly due to ARPA funds that were used to address revenue losses from 2020. The millage rate for 2022 was 52.48 mills of RE tax and 1.5% EIT for City residents. These are levied under the City’s Home Rule Charter which has no limit on taxes. The City will lose approximately \$900,000 of LST at the exit from Act 47.

TABLE 5: HISTORY OF GL FUND REVENUE

YEAR	REVENUE	INCREASE / DECREASE
2016	16,809,760	10.99%
2017	15,857,406	-5.67%
2018	15,676,702	-1.14%
2019	15,011,886	-4.24%
2020	15,136,523	0.83%
2021	15,726,817	3.90%

FIGURE 2 - 2022 REVENUE SOURCES

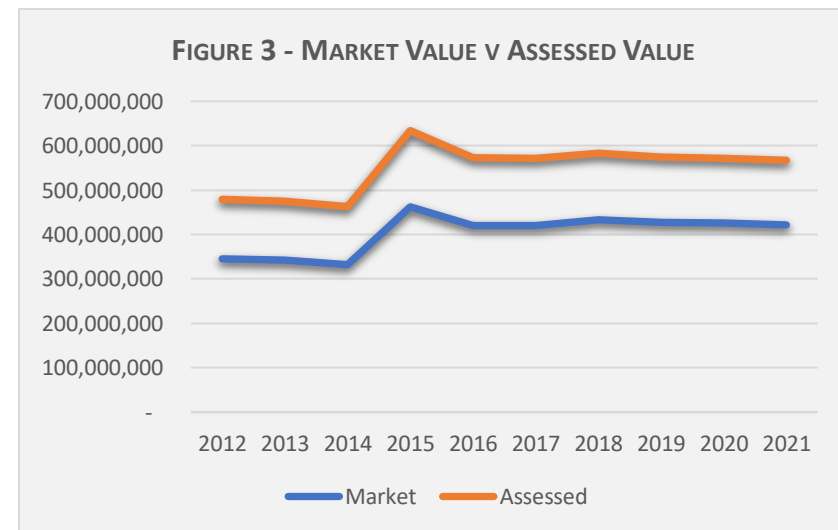


Real Estate Taxes

The City's real estate tax millage rate at 52.48 has not been increased in over a decade. Real estate taxes make up about 41% of the total revenue base. The assessed value of taxable property in the City has steadily declined over the past twenty years even though the market values have actually increased. The gap between market value and assessed value has widened between 2012 and 2021 according to the State Equalization Board. The assessed value was 38.8% of the market value in 2012 – but by 2021, the assessed value was only 34.3% of the market value. Because of outdated Cambria County assessments, the assessed value for the City decreased over the past 10 years to \$144,908,380 in 2021. **Table 6 and 7** provide the history of collections and millage values. Real estate taxes are expected to remain flat.

TABLE 6: HISTORY OF MARKET AND ASSESSED VALUE

YEAR	MARKET	ASSESSED	DIFFERENCE
2012	345,374,737	133,840,370	38.8%
2013	342,121,819	132,387,640	38.7%
2014	332,205,505	130,741,870	39.4%
2015	462,393,551	171,690,050	37.1%
2016	420,290,793	152,182,850	36.2%
2017	420,670,746	151,591,370	36.0%
2018	433,994,494	148,899,300	34.3%
2019	427,434,007	147,124,170	34.4%
2020	425,470,924	146,170,130	34.4%
2021	421,930,637	144,908,380	34.3%



The dollars collected per mill increased slightly from \$118,059 in 2018 to about \$120,000 by 2022 as shown in Table 7.

TABLE 7 – REAL ESTATE TAX COLLECTION AND DOLLARS (\$) PER MILL

YEAR	2018	2019	2020	2021	2022
REAL ESTATE ACTUAL COLLECTION	6,195,762	6,268,834	6,281,489	6,346,193	6,300,000
MILLAGE RATE	52.48	52.48	52.48	52.48	52.48
DOLLARS (\$) PER MILL	118,059	119,452	119,693	120,926	120,427

TABLE 8 – REAL ESTATE TAX COLLECTION HISTORY AND PROJECTIONS 2018-2024

	2018	2019	2020	2021	2022	2023	2024
Real Estate Taxes- Current Year's Levy	6,195,762	6,268,834	6,281,489	6,346,193	6,300,000	6,300,000	6,300,000
Real Estate Taxes- Liened/ Delinquent	308,934	603,032	718,728	819,454	340,736	500,000	750,000
Total Real Estate Taxes	6,712,451	6,871,866	7,000,217	7,165,647	6,640,736	6,800,000	7,050,000

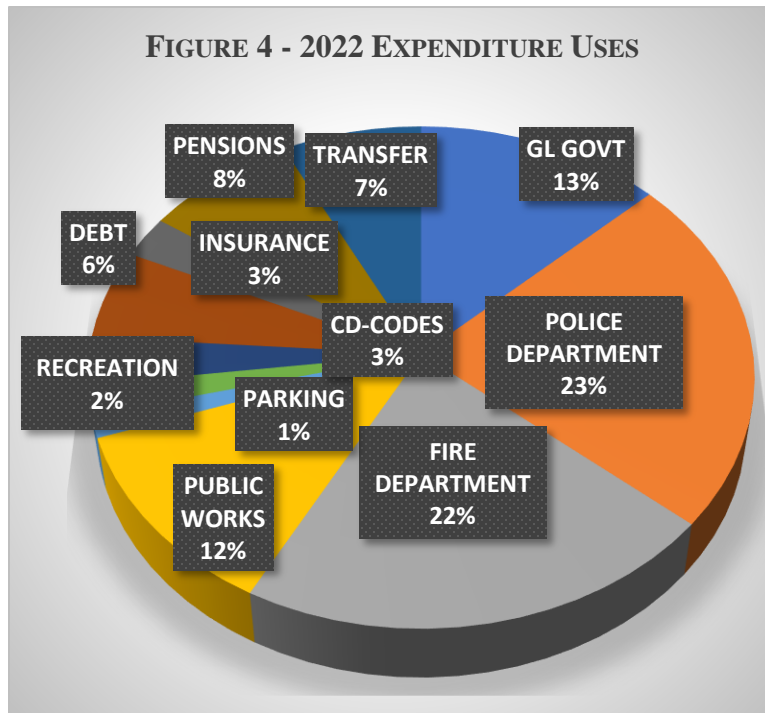
Act 511 Taxes

Act 511 taxes are the City's second largest source of revenue and have steadily increased at about 2.5% per year. There was a definite decrease in collection during the pandemic years of 2020 and 2021 but the taxes began to show a recovery in 2022. The City must reduce the Local Services Tax beginning in May of 2023 from \$156 to \$52 which will result in a loss of approximately \$550,000 in 2023 and \$900,000 in 2024. Although deed transfer, earned income tax, and business taxes are expected to steadily increase, the loss of the LST tax over the next two (2) years will cause the total revenue to decline.

TABLE 9 - ACT 511 TAX COLLECTION HISTORY AND PROJECTIONS 2018 - 2024

ACT 511 TAXES		2018	2019	2020	2021	2022	2023	2024
310.10	Real Estate Transfer Taxes	146,663	1,203,986	1,211,566	125,065	80,000	82,000	84,050
310.20	Earned Income Taxes	1,781,608	1,809,339	1,808,443	1,797,522	1,804,486	1,810,250	1,812,000
310.30	Business Gross Receipts Taxes	1,278,269	1,233,314	1,241,976	1,217,524	1,160,000	1,215,000	1,217,000
310.50	Local Services Tax **	1,423,754	1,443,532	1,361,529	1,326,604	1,303,000	725,000	435,000
310.60	Amusement / Admission Taxes	51,207	45,787	26,217	11,330	30,000	30,000	30,000
310.90	Other: Parking (percent)	45,490	45,425	35,951	29,353	30,000	30,000	30,000
Total Act 511 Taxes		4,726,991	5,781,383	5,685,682	4,507,398	4,407,486	3,892,250	3,608,050

FIGURE 4 - 2022 EXPENDITURE USES



of expenditures are related to compensation and benefits. The City's personnel costs make up about 80% of the overall budget. For this reason, it is critical to evaluate every position prior to Council approval of a new hire. The analysis should include not only starting costs but projected benefit and pension costs over the entire employment period, with adjustments for estimated inflation rates. The costs should be weighed against the value that will be provided to the City if the hire occurs (for example a police hire that results in a reduction in crime, a more aggressive code enforcement program that stabilizes housing stock, or an administrative position that will assist grants and investments.) The Johnstown residents deserve quality services at the lowest price. Preserving assets and resources for these services is part of the leadership responsibility.

NOTE: In 2020, expenditures decreased by about \$2.2 million due to the super funding of the pension funds through the sale of the sanitary sewer system. This freed up funds for operating expenditures and helped the City to build cash reserves.

Major Expenditure Uses

The major expenditure categories for the City's General Fund are Police, Fire, and Public Works. Police and Fire make up 48% of the overall City budget and Public Works make up another 13%. The pension MMO's are another 9%, debt service at 6%, leaving only 24% of the budget for all other purposes.

As the largest expenditure category in the City's budget, the police department is currently staffed with 40 officers (including the Police Chief) and 3.5 clerical positions. The fire department, as the second largest category, includes 36 positions (including the fire chief) and .5 clerical positions. The public works department, as the third largest category, includes 18 full-time employees, seasonal employees, and 1 clerical position.

Local government is a service industry and, therefore, the vast majority

YEAR	EXPENDITURES	INCREASE/DECREASE
2016	16,440,565	6.71%
2017	16,515,673	.46%
2018	15,518,758	-6.04%
2019	15,593,800	.48%
2020	13,363,908	-14.3%
2021	13,515,147	1.1%

PROJECTIONS FOR REVENUE AND EXPENDITURES

Projections for future years indicate that the City will generate a slight excess of revenue over expenditures in each year 2022-2026 based on the following assumptions:

1. The City real estate taxes will remain relatively flat – but delinquent taxes will increase steadily as additional delinquent accounts are turned over to the Cambria County Tax Claim Bureau.
2. Act 511 taxes will decrease in 2023 by approximately \$550,000 and in 2024 by \$900,000 due to lowering the LST rate from \$156 to \$52 after the City exits Act 47.
3. The City will no longer have the ability to use the federal ARPA funds for the loss of revenue after 2024.
4. Staffing levels will remain substantially the same as 2022 at about 125 positions.
5. All compensation for all employees continues to be contained at about 2% per year.
6. Health insurance will increase at a rate of 5% per year.
7. In 2022, the City transferred \$1 million from ARPA funds to the General Fund - General Government category to establish a sewer lateral loan program for residents. It is assumed that this is a one-time transfer and will not occur in 2023 or 2024.
8. It is assumed that debt service remains level over the next several years – until the Unfunded Debt Loan is paid off in 2025.
9. It is also assumed that the City will make only minimal transfers into the Capital Project Fund through 2024 and none in 2025-2026.

Based on these assumptions, the City should be able to generate sufficient revenues to support expenditures through 2026. However, any impact to revenue generation or unexpected expenditure could throw the City into a deficit position that would eventually deplete the unrestricted revenue. **Table 10** provides an overview of the projected revenue and expenditures through 2026.

TABLE 10: REVENUE AND EXPENDITURE PROJECTIONS 2022-2026

Revenues:	2022	2023	2024	2025	2026
Real Estate Taxes	6,640,736	6,800,000	7,050,000	7,050,000	7,050,000
Act 511 Taxes	4,730,494	4,091,596	3,857,976	3,923,984	4,002,464
Fines-Forfeits	184,438	186,200	186,200	189,924	193,722
Interest	55,025	100,275	100,275	102,281	104,326
Intergovernmental	1,005,677	976,000	976,000	995,520	1,015,430
Fees – Charges for Services	821,743	821,743	821,743	838,178	854,941
Parking Fees	560,918	547,500	547,500	558,450	569,619
Recreation Fees	79,781.00	76,830.00	76,830.00	78,367	79,934
Miscellaneous	1,211,074	987,000	784,000	799,680	815,674
Refunds-Reimbursement	461,582	455,121	458,508	467,678	477,031
TOTAL REVENUE	16,182,018	15,456,265	15,272,032	15,415,061	15,163,142
Expenditures	2022	2023	2024	2025	2026
General Government	2,078,577	1,141,785	1,160,193	1,178,810	1,202,387
Police Department	3,673,367	3,872,136	3,975,289	4,081,819	4,163,456
Fire Department	3,463,048	3,576,249	3,676,911	3,781,252	3,856,877
Public Works Department	1,886,459	2,423,468	2,475,172	2,538,646	2,589,419
Parking Department	231,112	256,419	259,945	263,541	268,812
Parks-Recreation	302,754	302,754	302,754	302,754	308,809
Community Development - Codes	483,032	524,319	534,805	545,502	556,412
Debt Service	920,688	936,949	935,949	934,949	353,648
Insurance- Property & Liability	426,458	418,798	426,124	433,596	442,268
Pension MMO Payments	1,284,973	1,280,105	1,305,707	1,331,821	1,358,458
Interfund Transfers	1,179,541	70,000	65,000	0	0
TOTAL EXPENDITURES	15,930,010	14,802,982	15,117,849	15,392,691	15,100,545
EXCESS OF REVENUE OVER EXPENDITURES	252,008	653,283	154,183	22,370	62,597

REVIEW OF THE PROGRESS OF PLAN INITIATIVES

Section 256 of Act 47 sets forth the requirements for an *Exit Plan* should the Coordinator recommend such a Plan after the *Financial Condition Evaluation*. Contents of the *Exit Plan* must include those elements that 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, 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 subchapter¹
- 4) Changes in the form of municipal government or the configuration of elected or appointed municipal officials and employees as permitted by law”

As part of the amended and extended 2020 *Exit Plan*, the strategies identified in the original Plan were updated with the current status of each initiative. The specific strategies included were:

- Stabilizing the management team
- Pursuing the sale, lease, and disposition of assets
- Identifying and modernizing the form of government
- Enhancing revenue
- Containing costs
- Continuing sustainability and resiliency planning
- Advancing legislative strategies

Stabilizing the Management Team

One of the most important factors identified in the *Exit Plan* for achieving success in local government is the professional ability of the management team. The management team must be trained, experienced, and knowledgeable in City management. For purposes of this

¹ Section 252 provides limitations on the ability of the Plan to affect certain collective bargaining agreements or settlements.

initiative, the City’s management team includes the City Council, City Manager, and Chief Finance Officer. A stable, experienced, professional management team allows the City to:

- Implement necessary updates and upgrades for organizational stability
- Provide oversight and continuous monitoring of the budget process and budget execution
- Develop accountability for departments to meet expected standards of operation
- Provide Council with accurate and timely information for making policy decisions.

Retaining a professional management team for the long term was a top priority for the City Council moving forward. Keeping key employees is essential to a successful organization and identifying those benefits that can help ensure loyalty and long term service is critical. Initiatives that were implemented and maintained are:

- The City recruited a professional Assistant City Manager in Fall of 2021
- The City recruited and appointed a professional City Manager in February of 2022
- The City includes training funds for the Manager, Finance Director, and Department Directors.
- The Finance Director attends the annual GFOA training.
- The City Manager has helped the City to build collaborative and supportive management teams that are working well together.
- The City Manager empowers the management team to make decisions and run the day-to-day operation of the City without interference.

Pursue the Sale, Lease, and Disposition of Assets

A requirement of the Act 199 of 2014 amendment to Act 47 was to consider “the sale, lease, conveyance, assignment or other use or disposition of the assets of the distressed municipality.” To address this section of the Plan, a team of subject matter experts led by HJA Strategies was retained by the City to conduct a review of various municipally-owned assets. A grant awarded to the City by DCED was used to fund the asset review. The need for the review was outlined in the Seventh Amended Act 47 Recovery Plan and a *Request for Proposals* was issued by the City in March of 2018.

The purpose of the asset review was to provide the City and the Coordinator with an understanding of the appraised value of each asset as determined by professional appraisers, and suggested monetization or improvement strategies for each. Implicit in this task was that the range

of monetization options would be reviewed in light of the appraisals. Monetization is used to refer to a sale, lease, concession, management contract or any combined arrangement that can produce additional revenue on an upfront basis, over time, or both. Phase 2 of this initiative included a second Act 47 grant that supported HJA Strategies to assist the City, as appropriate to implement the monetization and/or management upgrade strategies that the City and Coordinator decided to pursue.

The assets that were included in the asset valuation and disposition initiatives were:

- Frank J. Pasquerilla Conference Center, 201 Napoleon Street
- Parking Garage Structures located at 316 Vine Street, ITC Garage, and 416 Lincoln Street
- Berkley Hills Golf Course, 361 Goucher Street
- City of Johnstown Sanitary Sewer Conveyance System (the “sewer system”)
- Point Stadium, 100 Johns St

Any proceeds realized from asset sales or other monetization strategies were to be exclusively allocated towards lessening the City’s long-term liabilities in accordance with the Recovery Plan. This included an investment into the City’s pension funds and a defeasance of general obligation debt. The Recovery Plan stated:

“The proceeds from the sale of fixed assets shall be dedicated to paying down the City’s pension liabilities, long term debt, and/or OPEB obligations in order to permanently reduce the operating expenses for the General Fund.”



A summary and analysis of the valuations and disposition of the scheduled assets is discussed below.

Frank J. Pasquerilla Conference Center, 201 Napoleon Street

The highest and best use of the Conference Center is to continue to be a conference center. It is unlikely much additional value can be created, given the facility’s relatively small size, existing market demand, market saturation, and lack of an attached hotel facility. The lease with Crown American Associates (the management entity) ended due to the sale of the Holiday Inn hotel to an outside entity. The valuation study recommended coordination among the Convention Center, the War Memorial (Cambria County), and Point Stadium

(the City) to help create an events campus and allow for larger or at least more frequent events. Consolidation under a single management entity (if not owner) could facilitate that effort. The venue is unlikely to generate any money for the City from its operations in the foreseeable future and presented only potential capital liabilities as well as incidental payment obligations. After the sale of the hotel, a request for proposals for sale and/or lease was prepared for dissemination. This contract was always unfavorable to the City and was subject to Section 256 (3) providing for the renegotiation of contracts during the Exit Plan period.

After several attempts to obtain outside management, the City has assumed temporary operational management of the conference center. Expenses in the amount of \$33,000 are included as part of the 2023 budget. Capital improvements to the building were included in the City's Capital Improvement Plan with the use of ARPA funds.

Parking Garage Structures located at 316 Vine Street-ITC Garage and 416 Lincoln Street

The highest and best use of the two garage facilities is continued operation as parking garages. The complicated ownership structure of the garages presents disposition difficulties. Capital needs and under-utilization limit the garages' ability to provide the strong cash flow that would be sought by a third party. Although not part of the appraisal scope, modernization of the City's on-street meter system is likely a better use of the City's capacity and may yield more revenue. Modernization of on-street meters could be accomplished without incurring debt through a revenue sharing model with one of the major parking meter companies. This could increase collections and reduce staff (and associated costs) currently being incurred to maintain, collect, and enforce parking.

The parking system and parking garage facilities must be upgraded. The Act 47 team recommended a parking study and outsourcing the parking system management to an outside vendor. An RFP should be prepared to determine the best solution for the upgrade, management, and future operation of the entire system including, on-street, garages, and surface lots.

Berkley Hills Golf Course, 361 Goucher Street

The highest and best use of the golf course, as determined by the appraisal team, was its continued operation as a City-owned golf course. However, an alternative recommendation would be for the City to issue an open-ended request for proposals, allowing for respondents to bid to own the golf course, lease it, operate it, or identify other use or uses for the property (namely real estate development as permitted under Township zoning regulations). There is



an opportunity to obtain more favorable leasing terms for the City and to increase competition by introducing a far broader market. The contract was unfavorable to the City and is subject to Section 256 (3) providing for the renegotiation of contracts during the Exit Plan period.

A new agreement that is more favorable to the City was negotiated and executed in 2021. The agreement ensures that the City will be in at least a break even position. Improvements were scheduled and completed by the golf course Manager in 2021 and 2022.

City of Johnstown Sanitary Sewer Conveyance System (the sewer system)

The City had long owned the sanitary sewer conveyance system but the Johnstown Redevelopment Authority (JRA) owned and operated the Johnstown Regional Sewage which provides the overall management of the wastewater treatment system and the interceptor lines that are located in the City and West Taylor Township. The Greater Johnstown Area Water Authority (GJAWA) provides wastewater treatment services for approximately 24,000 customers and encompasses 20 municipalities. It was determined that a sale and transfer of the sewer conveyance system to the GJAWA provided the most value to the City and to the residents of Johnstown.

A public-public transaction was attractive in that the rate schedule guided the negotiations and once the rate schedule was agreed to, the amount that can be paid by the GJAWA was more than the amount that would have been paid by a private investor-owned utility. The value of the sewer system was dependent on the amount of available cash flow which is, itself, largely dependent on the cost of the sewer project (primarily expressed as repayments of several series of PENNVEST loans). Un-issued PENNVEST loans needed to be assumed for the final phases of the sewer project. The asset valuation report identified the sewer conveyance system as the City's most valuable asset. The GJAWA stepped forward to negotiate an asset purchase agreement with the City.

Details of the sale included: 1) GJAWA assumed all PENNVEST debt and the liability for the DEP consent order; 2) GJAWA transferred \$24.5 million to the City; 3) Rates were frozen for a minimum of 3 years; 4) The City and GJAWA set up a sewer subsidy program for the residential lateral connections with some of the proceeds.

The City finalized the sale of the sewer collection system in September of 2020 and used \$19 million of the proceeds to pay down the pension UAAL reducing the annual pension MMO from \$3.8 million annually to \$1.2 million annually freeing up \$2.6 million in operating funds to address the City's historical structural deficit. Remaining funds from the sale were used to fund the Capital Improvement Fund.

Point Stadium, 100 Johns St

The highest and best use of Point Stadium was determined to be to continue operating it as a stadium. As stated previously, combining the operation and management of the stadium with the City's other venues could lower costs through efficiency and drive more business with the integrated marketing of several attractive facilities. The stadium, however, does incur operating costs for the City. Through a management or leasing RFP, operating costs could also be reduced with an aim towards making this operation as close to "break even" as possible.



The City signed a sponsorship agreement with Sargent and a new management contract that is more favorable to the City and generates revenue that was not available in prior years. Improvements will be made as scheduled in the CIP in 2021 and 2022.

Identify Changes to Form of Government

Act 199 required the *Exit Plan* to address changes to the form of government that will contribute to and support objectives that lead to a more stable and resilient City organization. A resilient City is defined as a city that can survive a traumatic blow to its physical infrastructure, its economy, or its social fabric and still retain its basic functions and structure. Moving towards resiliency means having a modern, streamlined, efficient government that meets the basic needs of the residents.

Home Rule Charter

The City's Home Rule Charter (HRC) was adopted by the voters of the City on May 18, 1993 and became effective on January 1, 1994. The HRC is approaching thirty years and needed review and updates to better conform to modern techniques and standards. Many HRC provisions caused wasteful and undue delay, required complicated research and review, incurred unnecessary legal fees, and increased advertising expenses. Some of the things that were examined and considered for the purpose of streamlining the City's processes and reducing unnecessary costs included:

- Review the use of the position of City Clerk
- Reduce the number of actions that must be taken by Ordinance:
 - Eliminate the requirement to adopt the budget by Ordinance
 - Eliminate the requirement to adopt the capital program by Ordinance

- Eliminate the requirement to adopt service fees, charges, and assessments by Ordinance
 - Eliminate the requirement to adopt the purchasing policy by ordinance
 - Eliminate the requirement to have a “first reading” of ordinances
- Reduce the number of actions that are taken by Resolution and substitute the use of Council motion
- Simplify the Administration of the Budget
- Update Bidding Requirements to be consistent with state regulations
- Update citizen participation to be consistent with the requirements of the PA Open Meetings Act
- Update citizen access to public records to be consistent with the PA Open Records Act
- Revisit the provisions for Initiative and Referendum
- Revisit the taxing authority of the City

The process for an update of the Home Rule Charter is typically a two-year process. For this reason, the process was initiated so that it could be placed on the municipal primary election ballot that was scheduled for May of 2020.

The Mayor appointed a Home Rule Charter (HRC) Committee to study the current Charter for recommendations to upgrade the language. The Committee met monthly during 2020 and identified questions that were adopted by City Council by ordinance in the summer of 2021 and prepared for a referendum for the November 2, 2021 general election. Seven (7) referendum questions were placed on the ballot and were approved by the residents. They were:

Ballot Question #1

“Shall Section 304 of the City of Johnstown Home Rule Charter be amended to allow the City’s annual budget and capital improvement plan to be adopted by Resolution instead of by Ordinance?”

Explanation of Ballot Question #1: A yes vote will allow the City to adopt its annual budget and capital improvement plan by Resolution rather than by ordinance which reduces the number of meetings and advertisements needed to pass the budget and capital improvement plan and decreases advertising costs, staff hours and unnecessary delay.

Ballot Question #2

“Shall Section 902 of the City of Johnstown Home Rule Charter be deleted so that the Personnel Ordinance remains part of the City’s Administrative Code but permits modification of personnel rules and procedures via Resolution?”

Explanation of Ballot Question #2: A yes vote will allow the Personnel Ordinance to remain part of the Administrative Code and provides for updates to the City’s Personnel Manual to be made via Resolution as laws and circumstances change.

Ballot Question #3

“Shall Section 1007(a) of the City of Johnstown Home Rule Charter be amended to allow City Council to adopt, and to amend the city budget prior to final adoption, by Resolution or Motion instead of by Ordinance?”

Explanation of Ballot Question #3: A yes vote will allow the City to adopt the Budget, and to revise its budget prior to adoption, by Resolution or motion rather than by Ordinance, which simplifies the budget process. The City will experience cost savings in legal advertisement fees, staff hours and eliminate the significant delay that occurs when an Ordinance is required.

Ballot Question #4

“Shall Section 1008 of the City of Johnstown Home Rule Charter be amended to allow City Council to amend the City Budget after adoption by Resolution or Motion instead of by Ordinance?”

Explanation of Ballot Question #4: A yes vote will allow the City to revise its budget after adoption by Resolution or Motion rather than by Ordinance which simplifies the budget process. The City will experience costs savings in legal advertisement fees, staff hours and eliminate the significant delay that occurs when an Ordinance is required.

Ballot Question #5

“Shall Section 1010 of the City of Johnstown Home Rule Charter regarding administration of the annual budget be deleted in order to permit such matters to be addressed via Ordinance, as part of the City’s Administrative Code?”

Explanation of Ballot Question #5: A yes vote allows the City to incorporate the provisions of the Home Rule Charter related to the administration and oversight of the City budget into the City’s administrative Code via Ordinance, and to permit other matters to be addressed by Resolution or Motion as provided in the Administrative Code. This allows budget administration and oversight procedures to be consistent with generally accepted accounting principles and simplifies the process required to modify those procedures as laws and circumstances change.

Ballot Question #6

“Shall Section 1012 of the City of Johnstown Home Rule Charter be amended to require that all contracts of the City be in writing, regardless of amount, to authorize the City Manager to sign all contracts, and to abide by all bidding requirements as established by the Commonwealth of Pennsylvania, Department of Labor and Industry?”

Explanation of Ballot Question #6: A yes vote will require the City of Johnstown to clarify that all contracts shall be in writing, shall be executed by the City Manager, and shall comply with the Commonwealth of Pennsylvania’s Department of Labor and Industry’s annual bidding requirements, thresholds and regulations.

Ballot Question #7

“Shall Section 601(a) of the city of Johnstown Home Rule Charter be amended to allow City Council to determine by Ordinance whether to require the City Manager to become a resident of the City?”

Explanation of Ballot Question #7: A yes vote will allow City Council to determine terms and conditions of employment for the City Manager related to residency, and the geographic area and timeframe for any residency requirement via Ordinance. This provides flexibility in the hiring decisions for the recruitment of the City Manager with the requisite education, experience and skills.

Administrative Code

The Administrative Code of the City was originally adopted on October 27, 1993 pursuant to the adoption of the Home Rule Charter. Once the referendum questions were approved by the voters in November of 2021, it was necessary to update the Administrative Code to be consistent with the updated Home Rule Charter. The Act 47 team worked with the Solicitor, Manager, and Finance Director to update the entire Administrative Code which is in the process of being finally reviewed by the Solicitor for adoption by the City Council.

Enhance Revenue Generation

There are several revenue generating strategies that are available to the City and should be pursued in order to stabilize and sustain the revenue base of the City for the long-term.

Local Services Tax

In 2016, the City increased the Local Services Tax from \$52 to \$156 pursuant to the taxing authority provided under Act 199. This resulted in an increase to LST in the amount of \$821,000. In return, the City was required to eliminate the non-resident EIT that had previously been collected and authorized under Act 47. This revenue currently supports the General Fund operation. The City continues to use the Local Services Tax (LST) to support General Fund activities at the maximum rate. However, upon the exit from Act 47 no later than April 28, 2023, the City will be required to revert to the \$52 that is permitted under Act 511 for all municipalities in the Commonwealth. The City stands to

lose between \$850,000 to \$900,000 due to that reduction. In anticipation of this reduction, the City designated the proceeds from this revenue to the Capital Fund for infrastructure and facility projects in 2021 and 2022.

The City is planning for the reduction caused by the loss of the Local Services Tax at the exit from Act 47 designation on April 28, 2023 by moving an amount equal to the tax to the Capital Reserve Fund in 2021 and 2022 so that the City is not reliant on the LST for the operating budget. The Mayor also met with local legislators to request the continuance of the use of the higher LST for public safety purposes beyond the exit from Act 47 status.

Payroll Preparation Tax

The City's Finance Director researched, calculated, and analyzed whether it was feasible and advantageous in the long-term for the City to move from the business privilege tax to the payroll preparation tax under Section 123 (d) (2) of the Municipalities Financial Recovery Act. This is a new taxing authority option under Act 199 of 2014 amending Act 47 to allow for the use of the payroll preparation tax in place of the business privilege and mercantile tax. Once established and approved by the Common Pleas Court, this tax may continue to be levied even after a termination of the City's Act 47 distressed status.

The Finance Director obtained the payroll information from the City's EIT Collector, Berkheimer Associates, and completed preliminary analysis about the base for this tax which excludes tax-exempt employers. Meetings were scheduled with City Council to completely review which employers would be subject to the new tax and which would be exempt.

The Finance Director prepared an analysis of the Payroll Preparation Tax and provided it to the Coordinator and to the City Council for review and discussion. After a lengthy discussion about the shift of payments between classes of taxpayers, it was decided that there is no interest or willingness by the City Council to implement this tax.

Deed Transfer Tax

The Home Rule Charter Act provides for the ability of municipalities who have adopted a home rule charter to increase the earned income tax, real estate tax and deed transfer tax above the thresholds established in the Third Class City Code and Act 511. Although the City has used this authority for increasing the real estate tax and earned income tax levies, the Council has not increased the deed transfer tax beyond the statutory limits. The City should consider increasing this tax in the future to generate additional revenue for the general operations.

The City Council considered an increase to deed transfer tax for the 2019 budget. The increase was defeated 5-1 at the City Council meeting. The City is encouraged to revisit an increase in this tax for the 2024 budget.

Stormwater Management Fees

The City does an excellent job maintaining its storm water infrastructure. The entire system is inspected several times per year and a contracted service is utilized for VAC and JET services. However, the system of pipes and basins are showing the need for repair and replacement. The City has limited funding sources other than the general fund to address storm water infrastructure needs and the requirements of the mandated MS4 program. For this reason, the City should consider implementing a stormwater utility fee. Communities in Pennsylvania have begun to create authorities to study, implement and manage stormwater utilities. This fee could generate over \$1 million annually to address stormwater and flooding issues.



The City continues to discuss this initiative – it should be considered in the future so that there is a dedicated revenue source for the maintenance, improvement, and upkeep of the stormwater system. The Assistant Manager is currently attending regional stormwater discussions with adjacent communities to develop a strategy for moving forward with this initiative.



Marketing Community Services

Initiative No. 42 in the Seventh Amended Recovery Plan required that “the City Manager, Finance Director and Fire Chief investigate revenue generators.” There are at least two opportunities that could be implemented.

- Quick Response Services (QRS) are currently provided by the fire department. One revenue enhancement would be to work with the local EMS providers to add a QRS fee for responses to the ambulance billing. This is standard practice in many communities.

- The City could use on-duty firefighters to conduct fire safety inspections in the commercial district under the IPMC. Inspection fees should be benchmarked against the fees charged by comparable communities. Fees should cover basic fire department expenses for providing this service. These services could also be marketed to surrounding municipalities for a fee that covers the cost of providing the services.

Cost Containment

It is important for the City to continue to explore various cost containment strategies including limiting the number of personnel in all departments to current staffing levels or lower. No position should be filled without a complete analysis of the value that the position brings to the organization for the long-term. The loss of a portion of the LST and the steady increase in the cost of providing quality services will ultimately deplete the City's reserves and lead to structural deficits without continual cost containment. Other strategies for containing costs are identified below.

Developing and Monitoring the Budget

Budgetary solvency is a government's ability to generate revenues over its normal fiscal year to meet its expenditures and avoid deficits. In the past it was noted that the City had experienced structural deficits for multiple years because it did not meet its revenue projections or expenditure limits. The budget process has improved tremendously over the past six (6) years - the City now budgets revenues and expenditures more accurately to avoid deficits in the future.

During 2015 the general fund experienced a deficiency of revenues over expenditures totaling (\$1,305,910) at the close of the fiscal year. This negatively impacted the general fund balance by reducing it from a positive \$278,034 to a negative (\$1,027,876). By 2015, all reserves were completely exhausted. In 2016, the City was forced to borrow \$6 million as an unfunded debt loan with approval from Common Pleas Court and DCED to restructure debt and meet current year obligations. Since 2016, the City has steadily increased its positive fund balance each year. By 2021, the audited fund balance was at an all-time high of \$6.9 million. The *Exit Plan* required that the City balance the operating budget beginning in 2020 with limited use of unrestricted reserve funds in order to completely eliminate future deficits.

The City used limited reserve funds to balance the 2020 budget. The City did not use any reserve funds to balance the proposed 2021, 2022, or 2023 budget. It has not been necessary for the City to use a Tax Anticipation Note since 2018. However, the City has relied on the federal ARPA funds to address revenue losses due to the pandemic in 2022 and 2023. These funds will not be available after 2024.

Collective Bargaining Limits

The Act 133 limits for compensation and wages for collective bargaining that were initially established in the *Seventh Amended Recovery Plan*, continued in the *2018 Exit Plan*, were in the *2020 Amended Exit Plan* by reference. Updated calculations for fiscal years 2020-2023 for the collective bargaining units were provided and used for collective bargaining purposes in 2020 and 2021.

Multi-Community Services

One method to reduce costs and generate revenue is to engage with other communities to provide multi-community services. The City Manager and Council continue discussions and negotiations with the Borough of Franklin officials (who are also exiting Act 47 in 2023) relative to a potential merger of public services. These discussions and negotiations continue to be facilitated by and under the oversight of Judge Krumenacher and the PA DCED.

Another potentially ripe opportunity for working towards a more regional approach is the provision of fire services. The City Manager and Fire Chief should continue the effort to market the services of the Fire Department to surrounding communities for fee-based contracts including use of the City's training facility. These efforts should include the execution of mutual aid agreements with adjacent communities.

The City Manager and Department Directors continue to explore service contracts and shared services.

Energy Reduction

Demand for all kinds of energy is predicted to soar in the coming years. The energy performance of a City's infrastructure and building fabric is a key determinant of its capacity for resilience and sustainability. Reducing a City's per capita energy consumption is critical to reducing the impact of stress on the economic base. Initiative No. 11 in the Recovery Plan states that "the City shall continue its sustainability plan and energy audits to determine the advisability of making additional short-term improvements that will reap long term benefits. The City shall also take the following steps to improve its management of utility costs:

- Monitor utility usage and billing for all facilities to track trends and exceptions, including electricity, gas and water.
- Review billing to ensure that the City pays only for those charges that are properly allocable to the City. The City shall also ensure that any utility services to be paid by other parties using City facilities are billed promptly.
- Managing turn-on and turn-offs of facility meters, and ensuring that changes are enacted as requested; final meter readings are taken, where appropriate; and generally, that the City has no more services than it needs.

- Pursue lower rates through direct negotiation, aggregation of usage with other entities or a reverse energy auction. For example, the City of Pittsburgh and three municipal authorities have conducted reverse energy auctions and have successfully lowered electricity rates.
- Continue current efforts to reduce utility usage by investing in energy efficiency improvements. As energy conservation emerges as a national priority, the City should be alert for federal, Commonwealth and other external grant opportunities. In some cases, the improvements can be funded directly from the savings generated.”



Many municipalities in Pennsylvania and throughout the nation have achieved 30% to 70% annual savings in utility costs through informed, cost-effective investments in energy efficient equipment and no-cost behavioral changes. This can be achieved through undertaking a utility bill analysis to identify monthly electricity and heating use and costs of facilities and services.

The City’s electricity service provider PENELEC offers rebates to reduce the cost of both the facility audits and some of the investments identified through those audits. Also, PENELEC provides rebates that reduce the capital cost of retrofitting existing streetlights to energy reducing LED lighting. While PENELEC rebates focus on electricity reductions, often investments that reduce heating fuel consumption identified and recommended by the energy audits achieve even greater annual savings.

The City of Johnstown should procure the services of a qualified consultant to provide an analysis of all of the City’s energy uses. Based on the results and recommendations of the utility bill analysis, the consultant should assist the City to competitively procure an independent, certified energy auditor to perform ASHRAE Level II energy audits. The ASHRAE Level II audit provides the building owner with a detailed building survey and energy analysis.

The City Manager has begun to investigate and discuss the ability of the City to explore and invest in alternative energy strategies including solar farms and electric vehicles.

Continue Sustainability and Resiliency Planning Initiatives

The basis for all community development activities is the planning documents and land use regulations that are adopted and implemented by the City. In fully developed urban areas, these regulations should be focused on the preservation and protection of neighborhoods and smart and sustainable commercial development that contributes to long-term financial, social, and physical resiliency. The City's land use regulations should be the physical manifestation of the City's comprehensive plan and the basis for all planning activities.

Comprehensive Plan

The City developed a comprehensive plan that incorporates many of the initiatives that are either completed or under way in the City. The City determined that the Vision 2025 resiliency framework is the basis for essential planning activities. Additional study areas include: blight strategy, market rate housing, brownfield remediation, and access to City services.

This is a dynamic process that requires continual updates.
--

Vision 2025

Vision 2025 is supported by an all-volunteer organization that is working to improve the quality of life in the Johnstown region. The Plan focuses on three main strategies: community, economy, and landscapes. Within the three main strategies are "capture teams" who work on specific goals. Capture awards are used to support community projects and civic engagement.

Vision 2025 has become an important group for promoting economic development in the City. A redevelopment plan was developed and implementation is underway.
--

Blight Strategy Plan

The City worked with the PA Housing Alliance to develop a Blight Strategy Plan that was funded by DCED. This plan is based on the publication from *Blight to Bright* and a process detailed in the publication, *We Can Do This: A Five-Step, Fast Track Blight Plan* published by the Housing Alliance of Pennsylvania in 2016.

The City completed its Blight Strategy Plan through the PA Housing Alliance and should identify funds in the CIP to continue to work with the PA Housing Alliance on the implementation of the blight strategies including the use of Act 90 enforcement, occupancy inspections, and rental registrations.

Market Rate Housing Study

The City prepared a market rate housing study that includes a comprehensive planning process that goes directly to the preservation and redevelopment of City neighborhoods and the ability of the City to replenish the housing stock with market rate housing. The staff at the Cambria County Redevelopment Authority are leading this study effort which is partially funded by DCED.

The market rate housing plan is completed and the County is attempting to identify a funding source to implement the recommendations.

Brownfield Remediation

The City of Johnstown received an *EPA Brownfield Assessment Grant* for assessment of priority sites for hazardous substances and petroleum. Once the assessment is complete, there may be funding available for clean up and remediation through the US-EPA Clean Up Grant program and/or the PA Industrial Site Reuse Program. There may be other state and federal funding depending on the proposed reuse of the property.

The City completed Phase 1 of the EPA Brownfield assessment projects and has been approved for a Phase 2 study with JRA and Cambria County as partners in the advancement of the Phase 2 projects.

Legislative Strategy

There were a number of legislative initiatives that were recommended to be advanced by the City to address the ability to derive sufficient revenue to support operations and long-term legacy costs. This required meetings with local legislators to build support and advocacy for changes to state laws.

Act 205 – Pension Standard and Recovery Act

Johnstown has the fiduciary responsibility to maintain pension funds for its public employees. These pension funds have been determined by the PA Auditor General to be at a Level III distress. Municipalities in Pennsylvania that maintain public pension plans that have been

determined to be at a Level III distress are provided special taxing authority under Act 205 to support required contributions to the plans. The relevant language from Act 205 is:

“If the tax rates set by the municipality on earned income or on real property are at the maximum provided by applicable law (emphasis added), the municipality may increase its tax on either earned income or real property above those maximum rates. The proceeds of this special municipal tax increase shall be used solely to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality.”

The language *“if the tax rates set by the municipality on earned income or on real property are at the maximum provided by applicable law”* effectively eliminates this authority for Home Rule Charter communities like Johnstown because there is no maximum tax rate in the “applicable law” which is the Home Rule Charter. If Johnstown could use the special Act 205 levy to fund its distressed pension funds, it could use that authority instead of the Act 47 authority to levy a higher EIT rate.

The language in Act 205 §607(f)(1) should be changed to read:

“If the pension funds have been certified by the Auditor General at a Level II or Level III distress, the municipality may increase its tax on either earned income or real property above the maximum rates. The proceeds of this special municipal tax increase shall be used solely to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality.”

The City no longer can benefit from this initiative since the City’s pension liability has been reduced to a level where the plans will no longer be identified as distressed beginning with the 2021 valuation report.

Local Services Tax (LST)– Retain Higher Rate

Act 199 of 2014 which amended Act 47 provided relief for financially distressed municipalities in the form of special taxing authority relative to the LST. Recognizing that the cities are the centers for business and government activity and social services access for residents throughout the counties, the financially distressed municipalities were afforded the ability to raise the rate from \$52 per employee to \$156 per employee

per year (with a \$15,600 exemption for low-income employees). In 2016, the City used this authority to raise the LST which, in turn, generates approximately \$1.3 million annually. These funds are used to support critical public safety services. However, these funds do not survive an exit from Act 47 and the City stands to suffer a loss of between \$850,000 to \$900,000 at the exit date. There is no way for the City to make up this shortfall because a mill of tax in Johnstown generates only about \$120,000. Act 47 §123(d)(1) should have additional language that states:

After approval by the court of the tax at a rate not to exceed \$156, the municipality may levy the tax in any subsequent year without additional court approval, **including any year after the rescission of the municipality's distressed status**, at a rate not to exceed that initially approved by the court. The proceeds from the special local services tax rate shall be used solely to defray the additional costs required to be paid pursuant to this act which are directly related to the pension plans of the municipality.”

The Mayor had several meetings with state legislators and the appropriate language to effect this change is being considered for 2023.

Countywide Reassessment

There has not been a county-wide reassessment of property in Cambria County in over thirty (30) years. As a result the City's total assessed value is not much higher than it was in 2002 (twenty years ago) and is only 34% of the actual market value. The City was forced to raise taxes to 52.48 mills a decade ago – which puts it at the highest tax rate in Cambria County.

There has been no action on this initiative to date.

RECOMMENDATION FOR RESCISSION OF DISTRESS DETERMINATION

The Coordinator has reviewed the statutory factors and has reviewed and considered all available information to make a determination of whether to request a rescission of the original order that declared the City a distressed municipality under Act 47. Upon reviewing the initial criterion that were present at the time that the City was declared distressed under the Municipalities Financial Recovery Act, all criterion have been addressed and are no longer present.

Criterion 1	The municipality has maintained a positive fund balance for the past three (3) years
Criterion 2	The municipality's revenues have exceeded expenditures for a period of three (3) years.
Criterion 11	The municipality has experienced a decrease in quantified level of municipal services but has contracts with the county and other agencies to provide municipal services.

Criterion No. 1 – Multi-Year Operational Deficits Eliminated

Operational deficits 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.

The City of Johnstown has eliminated annual operational deficits and has increased cash reserves to \$6.9 million.

Criterion No. 2 – Revenues Exceed Expenditures

The municipality's expenditures have exceeded revenue for a period of three (3) years or more.

The City of Johnstown General Fund revenues have exceeded the General Fund expenditures for the past six (6) years.

Criterion No. 11 – Service Levels Stabilized

The municipality has experienced a decrease in a quantified level of municipal service from the preceding fiscal year which has resulted from the municipality reaching its legal limit in levying real estate taxes for general purposes.

Although the City reduced staff in every year through 2019 to a low of 112 employees, they have been able to add capacity for 2020 and 2021 due to the reduction of the MMO pension payments. The City has stabilized service levels and has budgeted to increase capacity in several areas: management, finance, and code enforcement. The City created a stand-alone Code Enforcement Department so that they could provide more focused and aggressive code enforcement and advance a blight strategy for the City neighborhoods. These increases to staff positions to increase capacity were recommended in the Exit Plan and are now supported by the General Fund budget. **Table 11** provides a history of staff by department for the past 10 years.

TABLE 11. CITY OF JOHNSTOWN – STAFFING HISTORY BY DEPARTMENT 2014-2023

DEPARTMENT	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CITY COUNCIL	7	7	7	7	7	7	7	7	7	7
CITY MANAGER	2	2	2	3	3	2	2	3	3	3
FINANCE	6	6	5	5	5	4	4	4	4	4
POLICE	42	43	42	42	42	33	37	40	40	40
POLICE CLERICAL	5.5	4.5	3.5	3.5	3	3.5	3.5	3.5	3.5	3.5
FIRE	37	37	32	32	32	30	29	29	29	29
FIRE CLERICAL	0.5	0.5	0.5	0.5	0.5	1	0.5	0.5	0.5	0.5
COMMUNITY DEV.	12	14	8.75	9	9	7	8	10	6	6.5
CODES DEPT.									4	4.5
PUBLIC WORKS	24	30	27	25	21	20	20	20	18	18
PW CLERICAL	2	2	1.25	2	1	1	1	1	1	1
PARKING/METERS	5	6	6	5	5	4	4	4	4	4
SEWAGE	16	0	0	0	0	0	0	0	0	0
SEWAGE OFFICE	2	0	0	0	0	0	0	0	0	0
RECREATION	0	0	0	0	1	0	2	2	3	3
TOTAL FULL TIME	161	152	135	134	129.5	112.5	118	124	123	124

CONCLUSION

The City meets the four (4) factors set forth in Section 255.1(c) as discussed previously in this report and also meets the viability criteria established for municipalities for generally accepted financial management:

- Cash Solvency – The City consistently on a 30-60 day basis generates sufficient cash to pay its bills and obligations.
- Budgetary Solvency – The City generates sufficient revenue over a twelve-month fiscal year to meet its current expenditure responsibilities and to avoid future deficits.
- Long-Term Solvency – The City over the long term can pay all of its current expenses as well as provide funding for future expenses incurred today but payable in the future including debt service.
- Service Delivery Solvency – The City is able to provide basic services at levels adequate to meet the health, safety and welfare needs of its residents.

At this time, it is the Coordinator’s reasoned opinion that the City of Johnstown, Cambria County, is able to meet all of its financial obligations currently and also as they come due over the next three years. It is the Coordinator’s further opinion that the City presently has the resources and capacity to provide full services for its residents at a level that meets the health, safety, and welfare needs of its residents.

Therefore, based on our review and for the reasons cited above, it is the recommendation of the Coordinator that the Secretary of the Department of Community and Economic Development should issue a determination to rescind the order declaring the City of Johnstown a distressed municipality as defined by Act 47, the Municipalities Financial Recovery Act as amended, no later than April 28, 2023 as set forth in the 2020 Amended Exit Plan.

NOTICE OF FILING AND PUBLIC MEETING

TO ALL RESIDENTS AND TAXPAYERS OF THE CITY OF JOHNSTOWN, CAMBRIA COUNTY, COMMONWEALTH OF PA and all interested parties:

A report to the Secretary of the Department of Community and Economic Development for the **Recommendation to Rescind the Financial Distress Determination Order** for the City of Johnstown has been prepared by the City's Act 47 Recovery Coordinator and will be filed with the City of Johnstown pursuant to the Municipalities Financial Recovery Act, Act 47, as amended, Section 255, and is available for public inspection beginning on **Wednesday, December 21, 2022** at the City Hall at 401 Main Street, Johnstown, PA 15901. Written comments can be filed with the Recovery Coordinator until **December 31** at:

Grass Root Solutions
Attn: Deborah J. Grass
1506 Greenmount Avenue
Pittsburgh, PA 15216
dgrass1506@hotmail.com

The report includes:

Factor's That Support the Rescission

Future Financial Projections

Progress Under the Exit Plan

Recommendation for Rescission of the Distress Determination

The Recovery Coordinator will conduct a public meeting on **Tuesday, December 20 at 5:30pm at the Public Safety Building, 401 Washington Street, Johnstown, PA 15901** to review the report and to receive public comments.

DEBORAH GRASS
GRASS ROOT SOLUTIONS
ACT 47 RECOVERY COORDINATOR
CITY OF JOHNSTOWN, PA

EXHIBIT B

NOTICE

NOTICE IS HEREBY GIVEN that the Commonwealth of Pennsylvania, Department of Community and Economic Development has scheduled a public hearing to receive testimony presented on behalf of the City of Johnstown, Cambria County, Pennsylvania with respect to the recommendation from the Act 47 Coordinator to consider a termination of the City's Act 47 determination pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987 as amended.

The hearing on the request will be held on January 26, 2023, at 6:00 p.m., in Council Chambers in the Public Safety Building, 401 Washington Street, Johnstown, PA 15901 before a hearing officer duly appointed by the Department. The public is invited to attend. Those individuals requiring special accommodations to attend the hearing should contact the Department. For further information contact Bethany Williams, Local Government Policy Specialist, at (717) 503-1134.

EXHIBIT C

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

* * * * *

IN RE: TERMINATION OF JOHNSTOWN CITY'S ACT 47
DETERMINATION

PUBLIC HEARING

* * * * *

BEFORE: ANDREW SHEAF, Hearing Officer
Kelly J. Robertson, Executive Director
Bethany Williams, Policy Specialist
HEARING: Thursday, January 26, 2023
6:00 p.m.
LOCATION: Public Safety Building
401 Washington Street
Council Chambers
Johnstown, PA 15901
SPEAKERS: Ethan Imhoff, Deborah J. Grass, Mayor
Frank Janakovic, Marie Mock, Bethany Williams, Carl
Seel, John DeBartola, Charlene Stanton

Reporter: Lori A. Behe

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A P P E A R A N C E S

JUSTIN ZIMMERMAN, ESQUIRE

Associate Attorney

Department of Community & Economic Development

Keystone Building

400 North Street

4th Floor

Harrisburg, PA 17120

Counsel for Department

ALSO PRESENT:

Michael Capriotti

Rev. Sylvia King, City Council Member

Laura Huchel, City Council Member

Bob Ritter, Finance Director

Bob Stotler, Fire Chief

I N D E X

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11	TESTIMONY	
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13	TESTIMONY	
14	By Ms. Williams	26 - 30
15	TESTIMONY	
16	By Mr. Seel	30 - 34
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E X H I B I T S

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NumberDescriptionOffered

NONE OFFERED

P R O C E E D I N G S

HEARING OFFICER: Good evening. It is now 6:00 p.m. on January 26th, 2023. I call to order this Administrative Public Hearing, which is being held pursuant to Section 255.1(a) of the Municipality Financial Recovery Act, also known as Act 47. The sole purpose of this hearing is to receive evidence and testimony regarding the potential termination of Johnstown City status as a financially-distressed municipality. We cannot respond to any questions or challenges at this hearing.

My name is Andrew Sheaf, Local Government Policy Manager for the Department of Community & Economic Development, and I will be serving as the Hearing Officer today.

For the record, this hearing was advertised in The Tribune-Democrat on January 12th, 2023, and written notice was provided to the Municipal Clerk, the Mayor, the Municipal Solicitor and each member of the governing body prior to the hearing.

As background for the members of the public with us today, on January 4th, the Recovery

1 Coordinator for the City of Johnstown, Deborah
2 Grass, with Grass Foot Solutions, submitted a final
3 report in accordance with Section 255 of Act 47.
4 The Coordinator's Report reviewed the City's
5 financial condition in conjunction with the
6 statutory factors listed in Section 255.1(c) of Act
7 47, and concluded that Johnstown's status as a
8 distressed municipality should be terminated.

9 Per Section 255.1(a) of Act 47, the
10 Department is required to hold a public hearing
11 within 30 days of receiving the final Coordinator's
12 report. Once again, the sole purpose of this
13 hearing is to receive evidence and testimony
14 regarding the potential termination of Johnstown's
15 status as a financially-distressed municipality.

16 Individuals representing the City, the
17 City's Act 47 Coordinator and the Governor's Center
18 for Local Government Services will be presenting
19 evidence and testimony tonight. After the
20 Department has received evidence and testimony from
21 the previously-mentioned parties, I will invite any
22 other interested party in the audience to provide
23 evidence or testimony.

24 Please note there's a sign-in sheet
25 that will be circulated to verify attendance at the

1 hearing today. I will ask that all in attendance
2 please sign the sheet, even if you are not providing
3 evidence or testimony. If you change your mind
4 later and decide you do want to provide public
5 comment, please know that all witnesses will be
6 required to be sworn in by the stenographer prior to
7 testifying. Please note that also public comment
8 tonight will be kept to five minutes.

9 At this time I would like to call
10 Ethan Imhoff, City Manager for Johnstown, to provide
11 public comment.

12 MR. IMHOFF: Okay.

13 Thank you, Mr. Sheaf, and welcome
14 everybody. I'm going to read my testimony here. I
15 have served as City Manager for just about a year
16 now, which is barely the sliver of time that the
17 City of Johnstown has been in Act 47, but it gives
18 me perspective to look back on a decade of struggle
19 the City and region have faced.

20 Like many places in the so-called Rust
21 Belt, losing an industry upon which the region
22 depended was a generational financial wound. During
23 my time as City Manager, I've become well-acquainted
24 with the City's financial resources, budget history
25 and administrative capacity. I understand the

1 needs, limitations, constraints and capabilities of
2 the City's financial situation.

3 The trend line over the past several
4 years is positive. Many previous elected and
5 appointed officials worked diligently towards the
6 time when the City could financially sustain itself.
7 I believe the City is prepared to exit the Act 47
8 Program for financially-distressed municipalities.
9 The City now maintains a healthy fund balance, when
10 several years ago it had none. The lost revenue
11 funds from the American Rescue Plan that the City
12 was getting through the pandemic, American Rescue
13 Plan funds also helped the City catch up on deferred
14 maintenance and the City now maintains a capital
15 fund for larger expenses.

16 The City's financial condition will
17 require careful monitoring in the future. I believe
18 the administrative staff is capable of this task.
19 There will be difficult decisions that must continue
20 to be made by staff and Council. The City must
21 resist the temptations to declare the financial
22 emergency over and then overextend itself from
23 making decisions that negate positive outcomes of
24 the past several years.

25 Again, I believe the staff in place is

1 capable of closely monitoring a budget and making
2 necessary decisions to prevent a return to a more
3 dire financial situation that resulted in layoffs,
4 reduction in services and neglectful maintenance
5 practices.

6 In closing, I wish to reiterate that,
7 in my opinion, the City's prepared to exit the
8 Act 47 Program, as it is no longer
9 financially-distressed. At the current time it
10 possesses the resources to move forward with
11 provision of services to its residents, and the City
12 is committed to controlling expenses while ensuring
13 the continued delivery of services in the most
14 cost-effective manner.

15 I would just sincerely thank Debbie
16 Grass, Michael Foreman, Bethany Williams, Andrew
17 Sheaf and the entire Act 47 team for their guidance
18 and expertise that led us to this moment. I also
19 wish to recognize the current City Council, Mayor
20 and staff for their dedication to this endeavor.
21 And it should be noted there are many past Council
22 members and staff who were also part of the process
23 to move the City towards its financial
24 sustainability. It is a moment that took the work
25 of many to achieve. The City should be proud of its

1 resilience and efforts. Thank you.

2 HEARING OFFICER: Thank you, Mr.
3 Imhoff.

4 And could we also - this is my fault.
5 Could we please have you sworn in as well?

6 ---

7 ETHAN IMHOFF,
8 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
9 HAVING HEREIN BEEN DULY SWORN AS TO THE ACCURACY OF
10 PREVIOUS TESTIMONY, TESTIFIED AND SAID AS FOLLOWS:

11 ---

12 HEARING OFFICER: Thank you.

13 Next, I would like to call up Ms.
14 Deborah Grass, Act 47 Recovery Coordinator.

15 MS. GRASS: Want to swear me in?

16 ---

17 DEBORAH J. GRASS,
18 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
19 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
20 FOLLOWS:

21 ---

22 MS. GRASS: Thank you. Thank you,
23 everybody. It's been my pleasure to serve with the
24 City of Johnstown as their Act 47 Coordinator since
25 2016. Actually, my involvement with the City was

1 longer than that, because I actually worked with the
2 City from 2005 with the Governor's Center under the
3 Department of Community & Economic Development and
4 as a Financial Consultant for the former Recovery
5 Coordinator. So I've had a long involvement and
6 it's been my pleasure to work with the City for a
7 long period of time.

8 Some history initially. As early as
9 1988, the City was already experiencing structural
10 deficits, service-level challenges and loss of
11 revenue due to the collapse of the steel industry.
12 The City had suffered from basically significant
13 decreases in their two primary sources of revenue,
14 which were real estate taxes and earned income tax.
15 And the City, as a result, in a petition executed on
16 June 15th, 1992, requested that the Department,
17 which back then was the Department of Community
18 Affairs and currently the Department of Community &
19 Economic Development, determined the City's
20 eligibility for distressed status.

21 On July 22nd, 1992, the Department
22 issued its evaluation and found that the City met
23 three of the Act 47 criteria that - for a
24 declaration of distress.

25 The criteria that were present for it

1 to be distressed, the original distressed
2 determination were, one, the municipality had
3 maintained a deficit over a three-year period of one
4 percent or more in each of the previous five years.

5 Number two, the municipality's
6 expenditures exceeded revenue for a period of three
7 or more years.

8 And criterion 11, that the
9 municipality had experienced a decrease in the
10 quantified level of municipal services and had to -
11 which resulted primarily from them reaching their
12 tax limit for real estate tax purposes.

13 Subsequently, the City actually
14 adopted a Home Rule Charter and that was no longer
15 an issue, but at that time they were still under the
16 Third Class City Code.

17 Based on these findings, and following
18 a public hearing, the Department found that the City
19 was distressed and on September 18th, 1992 Eckert
20 Seamans' Law Firm was appointed as the Recovery
21 Coordinator and a Recovery Plan was adopted by the
22 City Council at that time.

23 From 1993 through 2013, the City
24 operated under six subsequent Recovery Plans that
25 were all developed by their Recovery Coordinator.

1 In 2014, Act 47 was amended, so that the recovery
2 exit - Recovery Plans were subject to a termination
3 and exit five years from the most recent Recovery
4 Plan.

5 For the City of Johnstown, the
6 relevant Recovery Plan was the Sixth Amended Plan
7 that was adopted on October 28th, 2013. That fixed
8 the initial exit date at October 28th, 2018. The
9 Coordinator was required to evaluate the condition
10 of the municipality at that time and to assert one
11 of the following findings.

12 Either the conditions warranted a
13 termination; the conditions were such that the
14 municipality should be incorporated or
15 disincorporated; the conditions were such that there
16 was a fiscal emergency or that the three-year
17 extension plan was warranted.

18 In 2016, Grass Root Solutions, my
19 company, was appointed as the City's Recovery
20 Coordinator and we - we prepared a Seventh Amended
21 Recovery Plan and an Exit Plan. June 11th, we held
22 public hearings. We developed a financial condition
23 report and recommended that there be a three-year
24 extension, which then set the exit date no later
25 than October 28th, 2021.

1 However, subsequently, as everyone
2 knows, there was a pandemic and so there was
3 negative impact from COVID-19 which diminished the
4 collection of business, local services department
5 fees, EIP. We confirmed the negative impact and on
6 - pursuant to Act 23 of 2020, there was a new
7 deadline established to require the City to exit as
8 of April 28th, 2023.

9 As part of that Amended and Extended
10 Exit Plan, the specific strategies included
11 stabilizing the management team, pursuing the sale,
12 lease and disposition of assets, identifying and
13 modernizing the form of government under their Home
14 Rule Charter, looking at enhancing revenue and
15 containing costs and of course continuing
16 sustainability and resiliency planning, all of which
17 I did want to say the City worked very, very hard to
18 advance those initiatives under the Recovery Plan.

19 So the Act requires certain factors to
20 be considered for the rescission of the initial
21 determination, as discussed. I'm going to go
22 through those factors just to get on the record that
23 the City has met those factors.

24 The first factor is that the
25 operational deficits of the municipality have been

1 eliminated and the financial condition, as evidenced
2 by audited financial statements, demonstrate a
3 reasonable probability of future balanced budgets,
4 and the City of Johnstown certainly meets factor
5 number one; annual operational deficits have been
6 eliminated I'm happy to report.

7 The City has actually generated excess
8 revenues over expenditures for the past six years,
9 resulting in an unrestricted reserve fund in the
10 amount of 6.9 million dollars, according to their
11 audited financials at year end 2021. In talking to
12 the Manager and the Finance Director, they will add,
13 not a lot, but slightly to that balance at the end
14 of 2022, but those are unaudited final numbers.

15 The second factor is that the City of
16 Johnstown meets their obligations and debt that the
17 original debt to the Department has been retired and
18 that they're able to continue to reasonably support
19 the current debt. And the City of Johnstown meets
20 that factor number two because the debt has been
21 issued as reasonable, manageable and able to be
22 included comfortably in the City's annual budget.

23 The current debt is about - debt
24 service is about one million dollars a year, which
25 is about seven percent of their total budget, which

1 is well within the recommended ten percent debt
2 level of service by the Government Officers
3 Association. And so it is well within the City's
4 ability to pay that debt at a reasonable number.

5 The third factor is that the City has
6 negotiated and resolved all claims or judgements
7 that would have placed the municipality in imminent
8 jeopardy of financial default. And the City has
9 certainly met that criterion. They have confirmed
10 that there are no claims and/or judgements that
11 would materially impact the City's financial
12 condition currently or in future years.

13 And finally, are reasonable projected
14 revenues are sufficient to fund the ongoing
15 necessary expenditures, including pension and debt
16 obligations. I'm happy to report that the City does
17 meet factor number four, based on our review. We
18 did a three-year projection and it's provided in the
19 Rescission Report. And what we found that - is that
20 even with the elimination of the local service tax,
21 the projections basically support the fact that the
22 revenue generated will be in - slightly in excess of
23 the expenditures for each of those years that we
24 looked at. We looked at the year 2022 through 2026.

25 We did have nine assumptions. I'm

1 going to touch on this briefly, because I think
2 they're important for the exit. There were certain
3 things we assumed and we assumed that the City will
4 continue to do. We know that the real estate taxes
5 will remain relatively flat. We assumed that the
6 Act 511 taxes would decrease approximately \$550,000
7 in 2023 and \$900,000 in 2024, and that is due to the
8 loss of the local services.

9 We assumed, of course, the City would
10 no longer have the ability to use the federal funds
11 after 2024 for loss of revenue. We assumed that the
12 staffing levels would remain substantially the same,
13 with about 125 positions. We assumed that the
14 compensation for employees would continue to be
15 contained at about two percent per year, although we
16 recognize that with inflation that may not be
17 entirely possible, and that health insurance costs
18 would increase at a rate of about five percent.

19 We assumed that the City - although
20 they made a one million dollar transfer of ARPA
21 funds into the general fund to establish a Sewer
22 Lateral Loan Program, that that was a one-time
23 transfer. We assumed that the debt service would
24 remain level, and we assumed that the City would
25 only make minimal transfers into the capital fund

1 once they lost the local service tax, because that
2 was equal to what was being transferred into the
3 capital fund.

4 Based on those assumptions, we did
5 determine that over the next several years, the City
6 would be able to maintain its sustainability and to
7 provide enough revenue to cover its expenses. We
8 also reviewed - in addition to those four statutory
9 factors, we reviewed the initial criterion that were
10 present at the time that the first Distress Order
11 was indicated. And those criterion have been
12 eliminated or no longer present.

13 Criterion number one, the City of
14 Johnstown has eliminated annual operational deficits
15 and has increased its cash reserves to \$6.9 million.
16 Criterion number two, the City has revenues that
17 have exceeded the General Fund expenditures for six
18 years.

19 And criterion number 11, which is the
20 most difficult one is the service level has been
21 stabilized. The City has reduced staff in every
22 year pretty much through 2019, but were able to
23 increase some areas in 2020, 2021, primarily in
24 those areas that the Exit Plan actually recommended
25 increased capacity and that was in management

1 finance and code enforcement. As the plan had
2 determined that those were the areas that were
3 critical for the City's long-term sustainability and
4 the City has been able to reinforce those three
5 areas.

6 So these increases to the staff
7 positions were recommended and they are - currently
8 exist in the City's General Fund budget and are
9 supported by the general fund budget.

10 So at this time it is the
11 Coordinator's opinion that the City of Johnstown,
12 Cambria County, is able to meet all of its financial
13 obligations currently, and also that those that come
14 due over the next several years that we've looked at
15 and that we did projections for.

16 It's further our opinion that the City
17 presently has the resources and capacity to provide
18 full services at a level that meets the health,
19 safety and welfare needs of its residents. Based on
20 our review and for the reasons cited above, it is
21 our recommendation that the Secretary's Department
22 of Community & Economic Development issue a
23 determination to rescind the Order declaring the
24 City of Johnstown a distressed municipality no later
25 than April 28th, 2023, as set forth in the 2020

1 Amended Exit Plan.

2 And I want to congratulate everybody
3 here tonight. There's been a lot of hard work, a
4 lot of pain, a lot of challenges along the way and
5 you've done a magnificent job of moving the City to
6 financial health and I think long-term
7 sustainability.

8 HEARING OFFICER: Thank you. Thank
9 you, Ms. Grass. I would next invite Mayor Frank
10 Janakovic to provide public comment.

11 Could you please be sworn in first?

12 ---

13 MAYOR FRANK JANAKOVIC,
14 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
15 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
16 FOLLOWS:

17 ---

18 MR. JANAKOVIC: I have served on City
19 Council in the capacity - separate capacities of
20 Councilman, Deputy Mayor and for the last nine years
21 as the Mayor of the City of Johnstown. So I've
22 probably been part of Act 47 for about a third of
23 the time that the City's been on Act 47. It's been
24 a long, laborious effort for many people to get us
25 to this point today and where we're at in April to

1 be able to exit Act 47.

2 When I took office and - along with my
3 fellow Councilmembers, we were facing about a 1.2
4 million dollar deficit annually. We were on the
5 brink of bankruptcy, and even more so in
6 receivership. So it was a time that we had to
7 decide whether we were going to let somebody else
8 come in here and run our City or we were going to
9 hit the ground running and do the things that we
10 needed to do. That involved many people, our Act 47
11 Administration, my fellow Councilmembers to do many
12 things.

13 One of the other things we've faced
14 and I've faced was a 120 million dollar sewage
15 project, that I, unfortunately, inherited that had
16 been passed on from generation to generation,
17 really. And I think we did a remarkable job with
18 that in the sense that we made the best of it. We
19 utilized that money, and one of the things I'm most
20 proud of is that the sewerage funds also paid for
21 curb-to-curb roads, alleys, streets, et cetera.

22 It may not have done every one of
23 them, but we did many, many streets and alleys that
24 hadn't been taken care of since the 1977 flood in
25 Johnstown. So that in itself was an accomplishment.

1 The next move was a very - and I got
2 to thank Act 47 and the attorneys that I work with
3 in the sale of the inner city sewerage. That was a
4 big move going forward for us. The roughly 26
5 million dollars that we got, we made sure that we
6 were putting it to the best use we could for the
7 City. Other cities had used it and used the funds
8 up and then had nothing to show for it.

9 Working with Debbie and our
10 Administration and Counsel, we were able to fund
11 pension funds that were only funded at I think 50
12 percent or near that, to bring them to levels for
13 police, fire and our labor to 97 percent. We were
14 paying about 2.4 million dollars to the State. That
15 was reduced to about \$425,000. So a savings over 2
16 million dollars that can be put back into our
17 budget.

18 At times we did not have a capital -
19 or capital budget. I went through the days where I
20 saw trucks and cars in the City that had literally
21 holes and plates on them to keep them running. I'm
22 proud to say we now have a budget to be able to look
23 at that annually and move forward. It's been
24 amazing in that particular end.

25 Two of the big accomplishments that

1 we've seen also in the last two years - or few
2 years, I should say, is by working together, and
3 I'll stress that, working together, with our
4 Legislators, our Council, our City, we were able to
5 obtain the 25.4 million dollar RAISE Grant, one of
6 the three largest in the United States, not just
7 Pennsylvania, and that is to fund our train station,
8 which handles about 24,000 people in and out.

9 Our - Legislator Langerholc has also
10 worked hard to get us a second train coming through
11 Johnstown, which is very important, to go east, and
12 work with that. We also had money, \$6 million for
13 our Main Street Project we have allocated to repair
14 the Incline Plane and also the Transit Authority
15 downtown. So we know there's a hub - hubs in cities
16 with downtowns to bring people in and then they
17 migrate to the other neighborhoods,

18 But I'm also very proud to say that we
19 received over 30 million dollars in ARPA funds and
20 those funds had been distributed to the tune of
21 \$3,000,000, \$3,500,000, \$4,000,000 for home repairs
22 to our citizens in the community, home ownership.
23 We tried our best as a Council and our
24 Administration, thank you, to have those funds
25 spread out across the City to the neighborhoods of

1 the City, et cetera. Again, a large portion of it
2 may be for in the City, but we're building that is
3 the hub to build off of.

4 Just basically there's been so many
5 people, it's just not one individual. I wish I
6 could take credit for it as the Mayor, but I won't.
7 It's been so many people, Act 47, my fellow
8 Councilmembers, citizens, people working in the
9 community, the community groups, community
10 organizations, the pride in Johnstown, that's what
11 we're trying to instill. And I don't think - I know
12 we're now at that cusp, we're ready to move forward.
13 So thank you for your time.

14 HEARING OFFICER: Thank you, Mayor.

15 MS. MOCK: Can I say something? Am I
16 allowed to add something? Am I allowed -?

17 HEARING OFFICER: Would you like to -?
18 You can go next.

19 MS. MOCK: Yeah, I just want to add
20 one thing he forgot. That's okay.

21 HEARING OFFICER: Sure.

22 ---

23 MARIE MOCK,
24 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
25 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS

1 FOLLOWS:

2 ---

3 MS. MOCK: I just want to make a note
4 that the liability, the sewage - 60 million dollars
5 of liability -

6 MR. JANAKOVIC: Yes. Important piece.

7 MR. MOCK: - also went over to the
8 Greater Johnstown Water Authority. So that
9 liability, that loan that we were holding, went over
10 with it. So it's 20-some million dollars that we
11 received in cash, plus the additional 60-some
12 million that went over in loans that we - the
13 PENNVEST loans and all the other things that were
14 acquired.

15 MS. STANTON: And the Consent Order.

16 MR. JANAKOVIC: Very important piece.

17 MS. MOCK: And the Consent Order. The
18 Consent Order went over, too. So everything just
19 went over to them and that really alleviated a lot
20 of issues on our part for Council.

21 HEARING OFFICER: Thank you.

22 MS. MOCK: I just had to throw that in
23 there.

24 MR. JANAKOVIC: No, thank you. Thank
25 you. That's a very important piece.

1 MS. MOCK: Yes. So - I'm done.

2 HEARING OFFICER: Okay.

3 MS. MOCK: Okay.

4 HEARING OFFICER: Thank you,
5 Councilwoman. I would next call up Bethany
6 Williams, Local Government Policy Specialist with
7 DCED to provide public comment.

8 ---

9 BETHANY WILLIAMS,
10 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
11 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
12 FOLLOWS:

13 ---

14 MS. WILLIAMS: Thank you. As Andrew
15 said, I am the Regional Local Government Policy
16 Specialist who has had the privilege in working with
17 the City of Johnstown over the last nine months
18 since I joined the Department. It has been a joy to
19 work with the staff and the Council here in
20 Johnstown to learn more about what you've been
21 through for the last 30 years, as well as to work -
22 continue to work towards a solution.

23 I have the - the privilege also of
24 continuing to work with the City after exit as the
25 Regional Policy Specialist and able to continue to

1 provide that support and I'm looking forward to it.
2 Without reiterating too much of what has been said,
3 because so much good information has been given
4 about what the City has accomplished to date.

5 In looking back at what the City was
6 facing when they entered Act 47, those three
7 factors, the multi-year deficit, the expenditures
8 that were exceeding revenues, the decrease in
9 municipal services, all of those things have been
10 looked at and addressed, and the - the City staff,
11 as well as the Council have worked really hard to
12 find the solution that can help to address those
13 issues.

14 And as DCED looks at communities that
15 are financially struggling and are eligible for Act
16 47, you must meet those requirements to continue to
17 be part of the Act 47 Program. And it is exciting
18 to say that the City has met all of those challenges
19 with great enthusiasm and has overcome those
20 challenges. And so it's my opinion, as the Regional
21 Policy Specialist, that they no longer qualify for
22 the Act 47 Program because of the good work that has
23 happened to date.

24 They've taken many steps to address
25 these issues, but, you know, especially in recent

1 history, they've done a lot to stabilize their
2 workforce here in the - in the offices Debbie was
3 saying, making sure that you have professional
4 management who can carry forward those
5 recommendations that are in the Recovery and Exit
6 Plans is critically important. But it's also very
7 important - for the sustainability of the City to
8 have someone who comes and wakes up every morning
9 thinking about how to make Johnstown a better place
10 to live is really important. So having that
11 professional management is going to be really
12 helpful as the City moves past Act 47.

13 And it also helps to not rely on the
14 services by the State. You're now in a place, as a
15 City, to be able to meet your own needs and to be
16 self-sufficient in a way that for the past 30 years
17 it's been a struggle. And so as we continue to
18 provide support from a different level, it's my hope
19 that as the City hopefully is able to exit Act 47,
20 that we will be able to provide support to a
21 community that has all of the skills and the tools
22 in place to be able to move forward past that.

23 With the sale of the sanitary sewer
24 system and utilizing Home Rule as a way to stabilize
25 your financial operations, all of those things have

1 been innovative and creative solutions to the
2 challenges that you've been facing and they've taken
3 a lot of initiative from Council. And so we, as the
4 Department of Community & Economic Development, are
5 glad to say that you have been doing a good enough
6 job to be able to exit Act 47, in my opinion, as the
7 Regional Policy Specialist.

8 There are some challenge to overcome
9 and as the State steps back and the City steps up
10 into the full capacity of the work here in
11 Johnstown, we're looking forward to supporting you
12 as you're facing public-safety challenges, if you're
13 looking into solutions for the costs that are
14 increasing due to inflation, and all of those other
15 challenges that are facing you and the region. And
16 there will need to be a continued effort into
17 finding those creative solutions, the out-of-the box
18 kind of ideas that can help you to both generate
19 revenues and cover some of the losses that the LST
20 going away will instigate.

21 But I believe that with the people you
22 have in place, and with the progress with the Act 47
23 Exit Plan and the recommendations that are in there,
24 if you're able to continue following those
25 recommendations and implementing them, I believe you

1 can make a successful exit.

2 HEARING OFFICER: Thank you, Ms.
3 Williams. I would now like to invite any other
4 interested party in the audience who would like to
5 present testimony, to please come up to be sworn in
6 by the Stenographer. And if you have not signed in,
7 please do so now, and please note that public
8 comment will be kept to five minutes tonight.

9 MR. SEEL: Hello, Mr. Chair. My name
10 is Carl Seel.

11 ---

12 CARL SEEL,
13 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
14 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
15 FOLLOWS:

16 ---

17 COURT REPORTER: State your name,
18 please.

19 MR. SEEL: My name is Carl Seel. I
20 reside at 700 Park Avenue. That's the former United
21 Methodist Church. It's a House of God or hopefully
22 will be again, but I'm getting a Reverend's License
23 to do weddings there and other community things with
24 the building, and I reside there.

25 I - as a former State Legislator, I

1 really do commend you for moving from where you were
2 to where you are now. In Arizona, I helped us
3 navigate from a 3 billion dollar structural deficit
4 to a 1 million dollar surplus, a very similar feat
5 that you have just accomplished here in Johnstown.
6 Arizona, thereafter, became one of the powerhouses,
7 and third powerhouse of job creation now.

8 So make no mistake, you're on the edge
9 of doing some great things here if you just keep
10 your head in the right place and don't go spending
11 away, increasing taxes. And in the offset and the
12 things that I saw in this Report, I would urge you
13 don't reinvigorate that local tax. That basically
14 says to people, if you have a job, we're going to
15 tax you more. Don't do that. Keep it - revert it
16 back to that \$52 a year and keep it there and if you
17 can get rid of it, it'd be great.

18 I also wanted to comment that you did
19 - so aptly said, you moved a big liability of the
20 sewer to its own independent - moved it off your
21 balance sheet. That was a very wise move. The
22 Johnstown - Greater Johnstown Water Authority,
23 although with my building, has been a mixed bag of
24 having to deal with them, and I'm still having - I'm
25 still working through it. I've got one sewer in

1 compliance and the other one is on its way, but the
2 Johnstown Redevelopment Authority may or may not
3 have funds to give me a low-interest loan to - to be
4 compliant with the lateral thing.

5 So like - I think that's something you
6 guys should consider as you're moving forward as
7 well, is helping landowners properly navigate
8 complying with the lateral sewer line thing. That's
9 a big obstacle in transferring properties. And
10 people that look at buying properties in this area -
11 I've worked with several investors, and that is a
12 big, big drawback when we look at properties. We're
13 like, okay, is the sewer compliant yet? And if it's
14 not, then it's like, ooh. So keep that in mind, if
15 you would, as you're moving forward.

16 Again, it's commendable that you
17 balanced your budget. I'd urge you to look at in
18 improving the Police Department. I live on Park
19 Avenue and you probably recognized in the news just
20 the other day, the fatal shooting about 400 feet
21 from my building. Yeah, I've put cameras up in my
22 building and I was fortunate enough to share that
23 footage with the Police Department.

24 That was something I think we should
25 do and expand. And I'm looking to reinvigorate the

1 neighborhood watch in Moxham and put more cameras
2 out. And my experience talking to many of the
3 landowners there, the homeowners there, they're very
4 interested in doing that. And I'm going to do it
5 from a private-party standpoint. I'm not going to
6 ask the government to help. I'm going to do it from
7 a private-party standpoint, and I think that that
8 will go a long way to making Moxham and - and by
9 extension, Johnstown, a much safer place.

10 And so I do want to thank and commend
11 you for the financial place you've moved yourself
12 into so that you can do those kind of things or I'll
13 do it from private funding, but I'd love your
14 support in that.

15 Code enforcement, I think, is a great
16 thing that you've done as well. Looking at code
17 enforcement and the derelict vehicles and connecting
18 the dots with the local Magistrate Court and then by
19 extension, to have a collection efforts for
20 out-of-town owners, I think that's very wise; hold
21 them accountable. And by extension, if they don't -
22 if they're not interested in the property, maybe it
23 goes up for a tax sale or a lien sale, which gives
24 an opportunity for someone that wants the property
25 and do things with it, to own it.

1 So I want to commend you again on your
2 financial moves. It's part of the reason I saw what
3 Johnstown could be. And when I saw the numbers as
4 it was moving, I saw what you're doing and I'm
5 really glad that you're making that final step to
6 get out of Act 47 and become independent and not
7 have to be stuck in that financial rut ever again.
8 So I commend you for - for doing that. And thank
9 you for - for taking my testimony.

10 HEARING OFFICER: Thank you.

11 Please.

12 MR. DEBARTOLA: I didn't hear your
13 name. Who are you again?

14 HEARING OFFICER: My name is Andrew
15 Sheaf.

16 MR. DEBARTOLA: And you are?

17 HEARING OFFICER: I'm a Local
18 Government Policy Manager at the State Department of
19 Community & Economic Development.

20 MR. DEBARTOLA: And the man next to
21 you?

22 HEARING OFFICER: This is - his name
23 is Justin Zimmerman.

24 MR. DEBARTOLA: He's with DCED also?

25 HEARING OFFICER: He's Legal Counsel

1 for the Department.

2 MR. DEBARTOLA: Thank you.

3 HEARING OFFICER: Sure.

4 MR. DEBARTOLA: I don't know -.

5 COURT REPORTER: I -.

6 HEARING OFFICER: Sir -?

7 MR. DEBARTOLA: Can you please swear
8 me in.

9 ---

10 JOHN DEBARTOLA,
11 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
12 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
13 FOLLOWS:

14 ---

15 MR. DEBARTOLA: I wish -.

16 COURT REPORTER: State your name.

17 MR. DEBARTOLA: Oh, my name is John
18 DeBartola, D-E-B-A-R-T-O-L-A. I live at 1197
19 Bedford Street. I'm a Johnstown tax-paying
20 resident.

21 It is about 6:40 p.m. At 2:00 p.m.
22 earlier today, I wish you could have been with me.
23 I sat in Courtroom 2 for the local service tax
24 hearing. And what I heard was a direct
25 contradiction to everything I just heard in

1 testimony today from Ms. Grass and I believe
2 Bethany.

3 I'm actually going to send a video of
4 this to the Court and ask the three Judges who
5 preside over that hearing to listen to how great
6 everything is here today, but at the court hearing
7 they basically cried poor about how bad everything
8 is. Mr. Imhoff was there as well giving testimony,
9 how they had to maintain the local service taxes,
10 things in Johnstown were so bad they couldn't
11 maintain service without that local tax for four
12 months of the year.

13 And I don't know if you have the power
14 to pull the transcript of that hearing, but if you
15 do, you really should, because it is such a
16 contradiction to what I'm hearing now about how
17 great everything is and all the pats on the back.

18 I'm actually shocked. I'm sitting
19 here listening going, how can anybody say this under
20 oath in court and then an oath in front of you for a
21 public hearing saying the exact opposite; everything
22 is great, we're doing wonderful, but we have to keep
23 the tax when we're at court.

24 I don't know if you have the power to
25 do that. If you do, I hope you actually look it up,

1 according to today at 2:00 p.m. You need to hear
2 the stark contradiction how your witnesses say one
3 thing in the front of the Judges, begging for money,
4 how bad things are, with the inflation and they
5 can't hire officers or employees, yada, yada, yada,
6 as they're praising here. And if you have the power
7 to do that, you will be in complete shock, like I
8 am.

9 I heard about Mayor Frank testifying
10 about how great the sewer sale was. I was against
11 the sewer sale settlement. And I want - two points
12 I want to bring up about that. By selling our sewer
13 lines, it caused massive increases in the Greater
14 Johnstown Water Authority fees and the Johnstown
15 Redevelopment Authority sewer fees, the fees for us,
16 to a point that we keep getting constantly taxed,
17 taxed, and fees, and fees and fees. How can you say
18 that's a positive, raising our fees every single
19 year through 2028? And I would ask that question
20 because how do you brag about selling - oh, we made
21 a - no, you made a mistake.

22 You balanced the budget by selling the
23 assets. They didn't balance the budget because they
24 did a lot of hard work and brought business to
25 Johnstown, secured our community. They balanced the

1 budget because they sold off assets. That's not a
2 positive to me. By selling our sewer lines, we
3 actually jeopardize the future of this community, to
4 the point that when you finally are pushed out of
5 office or die, we will have nothing left here. And
6 that's horrific to me.

7 Talking about the assets. We have the
8 Pasquerilla Conference Center. If you look at our
9 record, it has not made a single red cent profit for
10 20 years almost. It costs us money. I can't even
11 tell you how many hundreds of thousands of dollars
12 just this year alone; carpet, roof, flooring and it
13 goes on and on and on.

14 The golf course at Berkley Hills
15 doesn't make a profit. We have the Point Stadium.
16 They put in, I believe, \$700,000, however much they
17 put in, new turf, scoreboard and press box. These
18 are all expenditures not making money for the City.

19 If they're going to maintain - and I'm
20 totally in favor of leaving Act 47, but if you are
21 going to do this, you've got to monetize the assets
22 to a point that they're actually making money, not
23 continually draining and bleeding the taxpayers dry.
24 And that's a problem I just don't understand.

25 Another thing, if you look at

1 Johnstown and you take a strong look, we have
2 buildings that aren't in taxation. The Lincoln
3 Center Building, which is right on Main Street, I
4 checked with the local Tax Assessment Office, they
5 don't pay taxes on their leases. So are - several
6 of our nonprofits aren't paying their share. They
7 take \$388,000 a year in lease money. They're not
8 paying taxes on it. Why is that? It's just
9 mismanagement.

10 We talk about taking our fair share.
11 Why don't the nonprofits pay taxes? The City of
12 Pittsburgh is on the news now openly discussing how
13 we have to monetize the nonprofits to pay their fair
14 share. Johnstown City Council can do the exact same
15 thing, but all the nonprofits control the City
16 Council, so why should they make them pay anything?
17 And that bothers me.

18 We talk about our employee expenses
19 for us doing our budget, we just raised our City
20 Manager's fee to \$135,000 annually. \$50,000
21 increase. They recently rehired the Assistant City
22 Manager, I believe it's \$70,000, give or take.
23 That's a huge expenditure of the money that are
24 costing the taxpayers. How are they going to
25 maintain that? They hired a Recreation Director for

1 \$15,000 or \$20,000 a year part time. We never see
2 him at the meetings. What are we getting for our
3 money? Nothing.

4 How do we have a realistic decision to
5 have a future and don't have - don't have this
6 horrible situation happen for 30 years we're in Act
7 47 if we don't address these issues? Thank you.

8 HEARING OFFICER: Thank you for your
9 comments.

10 Would anybody else like to speak
11 tonight?

12 MS. STANTON: Yes.

13 ---

14 CHARLENE STANTON,
15 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
16 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
17 FOLLOWS:

18 ---

19 COURT REPORTER: State your name.

20 MS. STANTON: Charlene Stanton.

21 COURT REPORTER: Thanks.

22 MS. STANTON: Good evening. I'm all
23 in favor of exiting Act 47; yahoo and it's about
24 time. This has been going on since 1992 and now
25 it's 2023. So it's long overdue.

1 As a resident of the City of
2 Johnstown, again, I'm in favor of this, but being
3 that we're exiting 47, I believe it's going to be a
4 lot of hard work for City Administration, City staff
5 to be committed to stay out of Act 47. That means
6 watching every penny and not spending foolishly.

7 I know the local service tax, that was
8 a concern that was mentioned by some Councilmembers
9 in the press recently saying, well, if we're not
10 going to be collecting that maximum amount of \$156,
11 that since we're going to be losing all that money,
12 I think, again, that's where we have this money
13 right now and the City has got millions upon
14 millions, upon million, upon millions. So don't
15 spend it foolishly.

16 And right now the City's population,
17 which has been declining over the past several years
18 is now under \$20,000 (sic). For those of us who
19 have chosen to stay here, we've been burdened with
20 this local service tax. And while \$156 a year may
21 not seem a lot to those who are financially
22 well-to-do, it is a lot for the people who are
23 staying here just struggling to get by.

24 A meeting at the courts today before
25 Judge Krumenacker, I think, requesting the LST tax

1 to be able to receive that until April. It's
2 unknown right now what that court ruling was, but I
3 still question, do we really need that money?
4 Again, we've got millions and millions and millions
5 and millions upon millions of dollars.

6 And it's also hopeful that the City
7 will not be going back to the courts in April to ask
8 for an extension of this LST tax at the maximum
9 rate. The City's Act 47 Coordinator, Deb Grass, who
10 submitted your recommendations to rescind the
11 Distressed - Distressed Determination Order to DCED,
12 I agree - I agree a hundred percent with rescinding
13 the distressed status. And while the City will be
14 losing the high LST money, they need to learn fiscal
15 responsibility. The goal is to raise revenue, not
16 lose money.

17 There are many steps that the City can
18 take to generate revenue and some of the - Deb
19 Grass, you mentioned in your - in your Report,
20 number one, top of the list, sell the Convention
21 Center. It has been a loser since day one, never
22 made one penny of revenue for the City. It's time
23 to cut the losses and sell it as-is. Don't put any
24 more money into it. Just sell it as-is.

25 Currently the City, I guess, is

1 getting proposals to dump money into it for capital
2 improvement. This is a big waste of money. Get
3 RFPs and sell it for what you can get for it. The
4 City is throwing money down the drain with the
5 Convention Center. By selling it, it will go into
6 taxation and at least provide something for the
7 City.

8 The rescission recommendation even
9 notes, quote, the venue is unlikely to generate any
10 money for the City in the foreseeable future and
11 presents capital liability. And I think currently
12 City Council is proposing \$30,000 to put carpeting,
13 I believe, into the Conference Center. For what?
14 You won't even get one penny of that back.

15 Second, consideration is - you need to
16 be attracting families to Johnstown, and businesses.
17 However, in order to do that, money must be spent in
18 all the City neighborhoods. Currently millions are
19 being spent on downtown revitalization, which that's
20 great. Boost the downtown up, but the neighborhoods
21 surrounding the rest of the City, they're sitting
22 and rotting in decay. This is not the way to
23 attract newcomers to the City.

24 Three; put some time and money into
25 all the neighborhoods, which will encourage current

1 residents to stay here. Residents are frustrated
2 with the downward spiral of gloom in their
3 neighborhoods, no wonder many are leaving.

4 Four; collect money owed to the City
5 from all of the vacant property owners. This
6 continues year after year. Vacant properties
7 continue to increase and I don't see the City taking
8 an effort to collect that vacant property fee from
9 the vacant property owners.

10 Five; new businesses are popping up,
11 which you might think, wow, that's great. However,
12 some of the new businesses are not registered with
13 the City, no taxes are being paid by the businesses.
14 So again, the City is losing revenue.

15 Six; rent out unoccupied city-owned
16 property. There are office spaces in this Public
17 Safety Building which were vacated by the
18 Redevelopment Authority some years ago. If the
19 offices are still empty, get RFPs and get them
20 rented out. Right now they're just letting the
21 offices sit there and gather dust. I mean, the goal
22 of the City here is you want to get money in. You
23 don't want to just sit and look at dust collect.

24 Seven; nonprofits are everywhere
25 throughout the City. A lot of good works are being

1 done, however, they are tax-exempt. The City needs
2 to send nonprofits a letter asking them if they
3 would please consider donating to the City. After
4 all they are getting all the City services without
5 having to spend any money for them. Consider
6 sending out that letter to see what you'll get back.

7 And sending out this request letter to
8 the nonprofits can be done. As a former City
9 Council person, along with former Councilman Jack
10 Williams, we did propose this a number of years ago
11 and a letter, to my knowledge, was sent out to the
12 nonprofits. And some - some nonprofits did respond
13 and donate money. So that - it is now 2023. Send
14 those letters out again. You won't know unless you
15 ask.

16 HEARING OFFICER: Ma'am, we're sorry,
17 but you are at your time limit.

18 MS. STANTON: Can I squeeze in
19 something real quick? Stop hiring and creating
20 positions, populations decreased. In 2019, there
21 was 118 employees. Now, in 2023, there's 124. We
22 don't need more staff when the population is
23 dropping.

24 Stop paying for consulting services to
25 plan how the City is going to spend CDBG Home

1 Program Funds, Community & Economic Development, a
2 consulting firm is not needed, as the City is
3 already paying for a Community & Economic
4 Development Coordinator.

5 HEARING OFFICER: Ma'am, -

6 MS. STANTON: Hiring an outside
7 firm -.

8 HEARING OFFICER: - thank you for your
9 - thank you for your comments tonight.

10 Would anybody else from the public
11 like to provide comment tonight?

12 Seeing no other witnesses, I would
13 like to take this opportunity to thank those in
14 attendance and those who provided evidence and
15 testimony at today's administrative public hearing.
16 Today's evidence and testimony will be presented to
17 Acting Secretary Rick Siger for his final
18 determination as to whether the City of Johnstown's
19 status as a financially-distressed municipality
20 should be terminated.

21 Pursuant to Section 255.1(b) of the -
22 of Act 47, the determination will be issued within
23 90 days of today's hearing. Thank you and this
24 hearing will now be adjourned at 6:50. Have a good
25 evening.

* * * * *

HEARING CONCLUDED AT 6:50 P.M.

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CERTIFICATE

I hereby certify, as the stenographic reporter,
that the foregoing proceedings were taken
stenographically by me, and thereafter reduced to
typewriting by me or under my direction; and that this
transcript is a true and accurate record to the best
of my ability.

Dated the 2 day of February, 2023

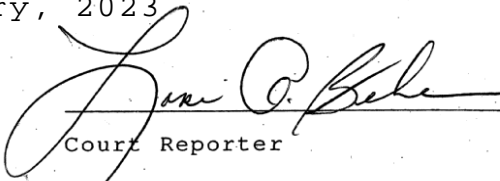

Court Reporter
Lori A. Behe

EXHIBIT D

Act 47 Public Hearing Testimony

I have served as the City Manager for just about a year now. Which is barely a sliver of time that the City of Johnstown has been in Act 47. But it gives me perspective to look back on the decades of struggle the City and region have faced. Like many places in the so called rust belt, losing the industry upon which the region depended was a generational financial wound.

During my time as City Manager I have become well acquainted with the City's financial resources, budget history and administrative capacity. I understand the needs, limitations, constraints, and capabilities of the City's financial situation. The trend line over the past several years is positive. Many previous elected and appointed officials have worked diligently towards the time when the City could financially sustain itself.

I believe the City is prepared to exit the Act 47 program for financially distressed municipalities. The City now maintains a healthy fund balance when several years ago it had none. The lost revenue funds from the American Rescue Plan Act assisted the City with getting through the pandemic. American Rescue Plan Act funds also helped the City catch up on deferred maintenance. And the City now maintains a capital fund for larger expenditures.

The City's financial condition will require careful monitoring in the future. I believe administrative staff is capable of this task. There will be difficult decisions that must continue to be made by staff and Council. The City must resist the temptation to declare the financial emergency over, and then over extend itself or make decisions that negate the positive outcomes of the past several years. Again, I believe the staff in place is capable of closely monitoring the budget and making necessary decisions to prevent a return to a more dire financial situation that resulted in layoffs, reduction in services and neglectful maintenance practices.

In closing, I wish to reiterate that in my opinion the City is prepared to exit the Act 47 program, as it is no longer financially distressed. At the current time it possesses the resources to move forward with the provision of services to its residents. The City is committed to controlling expenses while ensuring the continued delivery of services in the most cost effective manner.

I wish to sincerely thank Debbie Grass, Michael Foreman, Bethany Williams, Andrew Sheaf and the entire Act 47 team for their guidance and expertise that led us to this moment. I also wish to recognize the current City Council, Mayor and staff for their dedication to this endeavor. And it should be noted there are many past Council members and staff who were also part of the process to move the City towards financial sustainability. It is a moment that took the work of many to achieve. The City should be proud of its resilience and effort. Thank you.

Respectfully submitted on January 26, 2023,

Ethan Imhoff
Johnstown City Manager