



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

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

DEPARTMENTAL DETERMINATION AND ORDER

1. On June 20, 1991 the City of Duquesne (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 June 15, 2023, Evaluation Resources, 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 July 17, 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, the City had small operational deficits in 2019 and 2020; however, years 2021 and 2022 did not continue this trend due to the City receiving Federal ARPA funding and slightly increasing taxes in 2021. The City's cumulative surplus from 2017-2021 was \$351,859.
6. With regard to the second factor, the City has little long-term debt, most of which is related to a pension bond that was refinanced in 2020 to reduce the annual payment. One requirement of the refinancing agreement was that the City agreed to dedicate Real Estate Tax millage sufficient to cover all long-term debt payments. Council is expected to continue this practice and will be able to continue to make timely payments.
7. With regard to the third factor, the City has no outstanding claims or judgements that would place the municipality in jeopardy of financial default.
8. With regard to the fourth factor, the Coordinator projects that from 2023-2027 the City's revenues are expected to grow at a rate of 0.1%, and expenditures are expected to grow by 3.8%. The City is projected to run small annual surpluses from 2024 through 2025 before realizing a \$52,811 deficit in 2027 and a \$124,697 deficit in 2027. The City will need to pursue the Home Rule process, otherwise a combination of service cuts and increases in Real Estate Tax rates will be needed to avoid projected deficits.

AND NOW, this the 15th day of October 2023, upon review of the written recommendation of the Act 47 Coordinator, the recommendations of departmental staff, and the evidence received at the public hearing, the above-captioned request is granted.

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

By:



Frederick C. Siger
DCED Secretary

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

**Recommendation to
Rescind Distress Determination Order**

Prepared by:

George W. Dougherty, Jr., PhD

EVALUATION RESOURCES

722 Country Club Dr.

Pittsburgh, PA 15228

May 19, 2023

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History of Act 47 in The City of Duquesne

The City of Duquesne was declared financially distressed in 1991 under Act 47 of 1987, the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act. Like many municipalities in the region, Duquesne suffered from the contraction of heavy industry, the outflow of residents from the City and the region, and the subsequent reduction in tax base. Unlike its tax base, the City's need to provide police services, maintain roads, water and sewer lines, remove snow, and cut grass did not decrease. The result was a structural imbalance in the City's finances that could not be overcome by local cost cutting efforts alone. The City's first Financial Recovery Plan was issued and approved in 1991 with regular updates as necessary and in compliance with the Municipalities Financial Recovery Act.

The City of Duquesne has continued to struggle since the Commonwealth first declared it financially distressed. The 1990 US Census counted 8,568 residents in Duquesne. In 2010, the census counted only 5,565 residents, a 35% decrease in only two decades. Those who moved from Duquesne often left buildings and properties, which soon decayed or became overgrown due to lack of maintenance. Industrial sites requiring environmental remediation provided a long-term challenge, but now stand ready for a new generation of commercial or industrial purposes. Each subsequent Financial Recovery Plan amendment provided guidance to the City's effort to improve the community and return to fiscal health.

The Pennsylvania General Assembly amended Act 47 in 2013 to limit the time municipalities can remain in Act 47 financially distressed status. The amendment, Act 133 of 2013, requires municipalities to present an Exit Plan no more than five years after its most recently Financial Recovery Plan was updated. The City of Duquesne's Financial Recovery Plan was last amended and approved in February 2019.

Progress in Implementing Act 47 Plan Initiatives

The City of Duquesne has made progress on a number of initiatives since the adoption of the 2019 Act 47 Plan Amendment. The City has improved its financial systems dramatically since 2018 through the re-implementation of its financial software system, passing financial policies that include budgeting to maintain a minimum fund balance, and completing the annual audit process in a timely manner. Further, Duquesne successfully avoided defaulting on its 2015 Pension Bond and reduced annual debt service payments by refinancing the debt over a reasonable time period. General Fund support of the City's Water Fund has largely been eliminated and officials have recently invested in equipment upgrades and initiated a rate study to make sure water revenues cover short- and long-term water service needs. Finally, the City has applied for Act 47 Grant Funding to implement Codification of Ordinance and improve its official records systems.

It should be noted that the City has not pursued two important plan objectives. First, Duquesne officials have explored, but not yet initiated the Home Rule Charter Commission process to improve its revenue generating flexibility. Second, the City has not aggressively pursued implementation of its 2015 Comprehensive Plan.

Legal Requirements to Rescind a Distressed Determination

Despite the City of Duquesne's recent progress, the Commonwealth of Pennsylvania requires municipalities under Act 47 to meet key conditions before Distressed Municipality status can be

rescinded. Section 11701.255.1(c) of Act 47 enumerates four factors for the Secretary of DCED to consider in making a determination on whether to rescind the distressed status of a municipality. The law's language of §255.1(c) reads as follows:

(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 the 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 [*sic*] 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.

Factor 1 – Operational Deficits

The City of Duquesne meets the conditions set forth in Factor One in that the City has eliminated regular and recurring operating deficits. Table 1 shows the City's audited financial performance from 2017-2021. The City experienced small operating deficits in 2019 and 2020, each of which was less than one percent of operating expenditures. In response to these deficits, council increased taxes slightly in 2021 and realized a healthy six percent annual surplus.

Duquesne's Cumulative Surplus over the 2017-2021 period was \$351,859. Those surpluses were supplemented by American Recovery Plan Act (ARPA) funds in 2020 (\$125,000) and 2021 (\$390,823). Without the additional federal funding sources, the City of Duquesne would have run much larger deficits in 2020 (-\$138,805) and 2021 (-\$121,952) with a cumulative deficit of \$163,964 across the period 2017-2021. Since Section 11701.255.1(c) of Act 47 bases the rescission decision on actual audited financial performance, the federal funds must be included in the analysis and the City of Duquesne is considered to have met the criteria under Factor 1.

Based on the City of Duquesne's recent audited financial performance, it is argued that the City meets the conditions set forth in Factor 1. The City has eliminated operational deficits and can be reasonably expected to realize future balanced budgets.

The City of Duquesne Act 47 Rescission Recommendation

Table 1 - The City of Duquesne Core Revenues & Expenditures, 2017-2021

City of Duquesne - Core Revenue and Expenditures					
Revenues:	2017	2018	2019	2020	2021
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Description	<i>Revenues</i>	<i>Revenues</i>	<i>Revenues</i>	<i>Revenues</i>	<i>Revenues</i>
Taxes	\$ 2,192,073	\$ 2,316,231	\$ 2,533,347	\$ 2,630,015	\$ 3,264,471
Licenses & Permits	\$ 103,254	\$ 81,432	\$ 76,231	\$ 112,022	\$ 127,010
Fines & Forfeits	\$ 40,260	\$ 34,469	\$ 36,131	\$ 49,024	\$ 42,893
Interest & Rents	\$ 2,926	\$ 6,013	\$ 4,969	\$ 3,257	\$ 3,548
Intergovernmental	\$ 473,968	\$ 425,497	\$ 481,102	\$ 774,698	\$ 773,612
Charges for Services	\$ 600,749	\$ 562,762	\$ 518,009	\$ 523,637	\$ 543,067
Unclassified Revenues	\$ 18,491	\$ 5,873	\$ 81,562	\$ 24,639	\$ 13,234
Interfund Transfers - Rev	\$ 170,000	\$ 446,957	\$ 410,981	\$ 432,511	\$ -
Total Operating Revenues	\$ 3,601,721	\$ 3,879,234	\$ 4,142,332	\$ 4,549,803	\$ 4,767,835
Expenditures:	2017	2018	2019	2020	2021
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Description	<i>Expenditures</i>	<i>Expenditures</i>	<i>Expenditures</i>	<i>Expenditures</i>	<i>Expenditures</i>
General Govt	\$ 619,589	\$ 891,930	\$ 1,025,144	\$ 587,992	\$ 596,367
Public Safety	\$ 1,534,794	\$ 1,408,247	\$ 1,511,337	\$ 1,524,152	\$ 1,352,878
Public Works -Sanitation	\$ 426,713	\$ 508,293	\$ 510,194	\$ 396,613	\$ 412,792
Public Works - Streets	\$ 554,676	\$ 669,828	\$ 741,450	\$ 480,729	\$ 578,816
Culture & Recreation	\$ 2,724	\$ 6,396	\$ 18,688	\$ 722	\$ 1,847
Debt Service	\$ 65,455	\$ 48,201	\$ 15,115	\$ 41,488	\$ 10,362
Employee Benefits & Withholding	\$ 74,660	\$ 4,490	\$ 176,298	\$ 1,238,611	\$ 1,204,276
Insurance	\$ 89,053	\$ 155,106	\$ 67,986	\$ 15,769	\$ -
Interfund Transfers - Exp	\$ 196,628	\$ 92,639	\$ 103,359	\$ 276,431	\$ 335,901
Other Financing	\$ 6,119	\$ 1,191	\$ 191	\$ 1,101	\$ 5,725
Total Expenditures	\$ 3,570,411	\$ 3,786,321	\$ 4,169,762	\$ 4,563,608	\$ 4,498,964
Surplus/(Deficit)	\$ 31,310	\$ 92,913	\$ (27,430)	\$ (13,805)	\$ 268,871
Cumulative		\$ 124,223	\$ 96,793	\$ 82,988	\$ 351,859

Factor 2 – Municipal Debt

The City of Duquesne operates with little long-term debt, most of which is related to a pension bond issued in 2015. The City was in danger of defaulting on the bond in 2020 with annual debt service payments of over \$500,000 annually. Council, the City Manager, and the Act 47 Coordinator were successful in refinancing the bonds in 2020, resulting in a much lower bond payment of approximately \$195,000 annually. One requirement of the refinancing agreement was that the City agreed to dedicate Real Estate Tax millage sufficient to cover all long-term debt payments. Council is expected to continue this practice and will be able to continue to make timely payments.

The City received a PennVest Loan of \$376,410 in 2001 that was successfully retired in 2022.

Based on the City of Duquesne's limited use of debt instruments, willingness to dedicate Real Estate Tax millage to debt service, and history of timely repayment of its obligations, it is argued that the City meets the criteria set forth in Factor Two.

Factor 3 – Claims or Judgements

The City of Duquesne currently has no outstanding claims or judgements that would place the municipality in jeopardy of financial default. As such, the City meets the criteria established in Factor Three.

Factor 4 – Revenue and Expenditure Projections

Whether the City of Duquesne can continue to meet its financial and service obligations to the community is a key factor in the recommendation to rescind its Distress Determination Order. In short, it must be determined whether municipal leaders will be able to match available revenues with expected expenditures to fund key municipal services.

On the revenue side, the City of Duquesne has made use of the extraordinary taxing powers, particularly the enhanced Resident and Non-Resident Earned Income Tax levies during its time under Act 47 Distressed Status. The City's Earned Income Tax is its second largest source of revenue after Real Estate Taxes and accounted for approximately 20 percent of the City's revenues in 2021 and 2022. Under the 2020 Exit Plan, the City chose to keep the Resident and Non-Resident Earned Income taxes at extraordinary rates, but wean itself from the Non-Resident Earned Income Tax revenue by allocating one third of the Non-Resident Earned Income Tax levy to the Capital Fund in 2021, two thirds to the Capital Fund in 2022, and all of the Non-Resident Earned Income Tax in the 2023 budget. The result is that the City will leave Act 47 Distressed Status with a substantial Capital Fund and the ability to take care of its long-term capital needs for the near future.

The 2020 Exit Plan strongly recommended that the City begin the Home Rule Charter process to allow elected officials to maintain the higher Resident Earned Income Tax levy. Council has explored Home Rule but has not acted to begin the process. City Earned Income Revenues are projected to decrease by \$185,000 in 2024 for this reason.

City officials have shown a strong commitment to controlling expenses where possible. However, recent inflationary pressures and the exit from Act 47 Distressed Status are expected to increase costs in the near term. Wage and benefits growth for employees covered under the City's collective bargaining agreements were limited by the 2020 Exit Plan. Without these limitations, the City can expect to pay its employees more under normal collective bargaining conditions. As such, the projections presented in Table 2 include expected increases for Police employees in 2024 and for General Government and Public Works employees in 2025.

Table 2 shows projected Revenues and Expenditures for the City of Duquesne from 2023-2027. Revenues are expected to grow at a rate of 0.1% annually across the period, primarily due to the loss of Resident Earned Income Tax revenues. Expenditures are expected to grow 3.9% annually from 2023-2027, resulting in a structural deficit of 3.8%. The City is projected to run small annual surpluses from 2024 through 2025 before realizing a \$52,811 deficit in 2027 and a \$124,697 deficit in 2027. If the City of Duquesne does not pursue the Home Rule process, service cuts and increases in Real Estate Tax rates will be the only options available. However,

The City of Duquesne Act 47 Rescission Recommendation

City Council has shown a willingness to increase Real Estate Tax levies in recent years and should be able to raise the revenue necessary to avoid the projected deficits.

Table 2: The City of Duquesne Projected Revenues & Expenditures, 2023-2027

City of Duquesne - Core Revenue and Expenditures									
Revenues:	2021 Actual Revenues	2022 Unaudited Revenues	Estimated % Change 2023-2027	2023 Budgeted Revenues	2024 Projected Revenues	2025 Projected Revenues	2026 Projected Revenues	2027 Projected Revenues	
Description									
Real Estate Taxes	\$ 1,673,620	\$ 1,462,022	1.5%	\$ 1,410,000	\$ 1,431,150	\$ 1,452,617	\$ 1,474,407	\$ 1,496,523	
Earned Income Taxes	\$ 932,463	\$ 985,337	2.0%	\$ 650,000	\$ 465,000	\$ 474,300	\$ 483,786	\$ 493,462	
Other Taxes	\$ 658,388	\$ 801,071	1.5%	\$ 665,000	\$ 674,975	\$ 685,100	\$ 695,376	\$ 705,807	
Licenses & Permits	\$ 127,010	\$ 91,832	1.0%	\$ 72,500	\$ 73,225	\$ 73,957	\$ 74,697	\$ 75,444	
Fines & Forfeits	\$ 42,893	\$ 25,638	1.5%	\$ 31,500	\$ 31,973	\$ 32,452	\$ 32,939	\$ 33,433	
Interest & Rents	\$ 3,548	\$ 2,163	1.5%	\$ 2,550	\$ 2,588	\$ 2,627	\$ 2,666	\$ 2,706	
Intergovernmental	\$ 773,612	\$ 296,016	1.0%	\$ 319,025	\$ 322,215	\$ 325,437	\$ 328,692	\$ 331,979	
Charges for Services	\$ 543,067	\$ 526,381	1.0%	\$ 520,000	\$ 525,200	\$ 530,452	\$ 535,757	\$ 541,114	
Unclassified Revenues	\$ 13,234	\$ 607,186	1.0%	\$ 69,000	\$ 69,690	\$ 70,387	\$ 71,091	\$ 71,802	
Interfund Transfers - Rev	\$ 17,891	-	1.0%	\$ 150,000	\$ 151,500	\$ 153,015	\$ 154,545	\$ 156,091	
Total Operating Revenues	\$ 4,785,726	\$ 4,797,646	0.1%	\$ 3,889,575	\$ 3,747,516	\$ 3,800,345	\$ 3,853,955	\$ 3,908,359	
Expenditures:	2021 Actual Expenditures	2022 Unaudited Expenditures	Estimated % Change 2023-2027	2023 Budgeted Expenditures	2024 Projected Expenditures	2025 Projected Expenditures	2026 Projected Expenditures	2027 Projected Expenditures	
Description									
General Govt	\$ 596,367	\$ 553,540	3.0%	\$ 606,679	\$ 624,879	\$ 653,626	\$ 673,235	\$ 693,432	
Public Safety	\$ 1,352,878	\$ 1,579,228	3.5%	\$ 1,678,329	\$ 1,777,071	\$ 1,839,268	\$ 1,903,642	\$ 1,970,270	
Public Works -Sanitation	\$ 412,792	\$ 497,571	3.0%	\$ 420,000	\$ 432,600	\$ 445,578	\$ 458,945	\$ 472,714	
Public Works - Streets	\$ 578,816	\$ 574,195	3.0%	\$ 614,202	\$ 632,628	\$ 681,607	\$ 702,055	\$ 723,117	
Culture & Recreation	\$ 1,847	\$ 2,019	1.5%	\$ 12,600	\$ 2,789	\$ 2,831	\$ 2,873	\$ 2,916	
Debt Service	\$ 10,362	\$ 8,475	1.0%	\$ 15,000	\$ 15,150	\$ 15,302	\$ 15,455	\$ 15,609	
Employee Benefits & Withholding	\$ 1,204,276	\$ 131,294	3.0%	\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377	
Insurance	\$ -	\$ 133,241	3.0%	\$ 130,000	\$ 133,900	\$ 137,917	\$ 142,055	\$ 146,316	
Interfund Transfers - Exp	\$ 335,901	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Financing	\$ 5,725	\$ 1,249	1.5%	\$ 5,000	\$ 5,075	\$ 5,151	\$ 5,228	\$ 5,307	
Total Expenditures	\$ 4,498,964	\$ 3,480,812	3.9%	\$ 3,484,810	\$ 3,627,182	\$ 3,784,462	\$ 3,906,766	\$ 4,033,057	
Surplus/(Deficit)	\$ 286,762	\$ 1,316,834		\$ 404,765	\$ 120,334	\$ 15,883	\$ (52,811)	\$ (124,697)	
Cumulative					\$ 525,099	\$ 540,982	\$ 488,171	\$ 363,473	

Recent actions of the City of Duquesne Council and the analysis presented here suggest that the City will be able to raise Revenues and control Expenditures sufficiently to maintain current municipal service levels.

Recommendation

The evidence presented here suggests that the City of Duquesne, Allegheny County, Pennsylvania meets all the criteria set forth in Section 11701.255.1(c) of Act 47. The City has not experienced significant or ongoing fiscal deficits since 2017, is able to meet all of its debt obligations, has no outstanding judgements or claims against it, and is projected to maintain service levels through 2027.

Based on this review, it is recommended that the Secretary of the Department of Community and Economic Development issue a determination to rescind the order declaring the City of Duquesne, Allegheny County a distressed municipality under Act 47, the Municipalities Financial Recovery Act as amended, no later than October 16, 2023.

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 Duquesne, Allegheny 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 July 17, 2023, at 6:00 p.m., in the Duquesne City Building, 12 South 2nd Street, Duquesne, PA 15110 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.

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF COMMUNITY AND

ECONOMIC DEVELOPMENT

* * * * *

IN RE: ACT 47 EXIT

ADMINISTRATIVE PUBLIC HEARING

* * * * *

BEFORE: KELLY ROBERTSON, Hearing Officer

HEARING: Monday, July 17, 2023

6:05 p.m.

LOCATION: Duquesne City Building

12 South 2nd Street

Duquesne, PA 15110

WITNESSES: George Newsome, Bethany Williams, Derek
Artim

Reporter: Deanna Heckel

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A P P E A R A N C E S

BETHANY WILLIAMS, LOCAL GOVERNMENT POLICY SPECIALIST
PA Department of Community and Economic Development
400 North Street
Harrisburg, PA 17120
For Department

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NONE OFFERED

P R O C E E D I N G S

HEARING OFFICER: It's now 6:05 p.m.

on July 17th. I call to order this administrative public hearing, which is being held pursuant to Section 255.1a of the Municipalities 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 the City of Duquesne's status as a financially distressed municipality. We cannot respond to any questions or challenges at this hearing.

My name is Kelly Robertson, Executive Director for the Governor's Center for Local Government Services at the State Department of Community and Economic Development, and I will serve as the hearing officer today. For the record, this is a hearing - this hearing was advertised in the Mon Valley Independent on July 11th, and written notice was provided to the municipal manager, the mayor, the municipal solicitor, and each member of the governing body of the municipality prior to this meeting.

As background for the members of the public with us today, on June 15th, 2023, the

1 recovery coordinator for the city, George Dougherty
2 submitted a final report in accordance with Section
3 255 of Act 47. The coordinator's report reviewed
4 the city's financial condition in conjunction with
5 the statutory factors listed in Section 255.1c of
6 Act 47 and concluded that the city's status as a
7 distressed municipality should be terminated.

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

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

24 Please note that there is a sign-in
25 sheet that has been circulating. It's on the back

1 table there. I would ask that all in attendance
2 please sign that sheet, even if you are not
3 providing evidence or testimony. If you change your
4 mind later and do decide you want to provide
5 testimony, please note that all witnesses will be
6 required to be sworn in by the stenographer prior to
7 testifying.

8 At this time, I would like to call
9 George Newsome, who will be reading the statement
10 from George Dougherty who is unavailable this
11 evening. So we will be reading his statement.

12 MR. NEWSOME: Good evening, everybody.

13 HEARING OFFICER: George, you have to
14 be sworn in.

15 COURT REPORTER: If you could raise
16 your right hand?

17 ---

18 GEORGE NEWSOME,
19 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
20 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
21 FOLLOWS:

22 ---

23 COURT REPORTER: You can go right
24 ahead.

25 MR. NEWSOME: Good evening, everybody.
26 This following statement is City of Duquesne's Act

1 47 exit hearing presentation. As noted in
2 coordinator's report on June 15, 2023, the City of
3 Duquesne was declared financially distressed in 1991
4 under the Commonwealth of Pennsylvania's
5 Municipalities Financial Recovery Act.

6 Like many municipalities in the
7 region, Duquesne suffered from the contraction of
8 heavy industry, the outflow of residents from the
9 city and the region, and the subsequent reduction in
10 tax base. A lack - its tax base. The city agreed
11 to provide relief services, maintain roads, water
12 and sewer lines, remove snow, and cut grass did not
13 decrease. The results were the structural imbalance
14 in the city's finances that could not be overcome by
15 local cost-cutting efforts alone.

16 The city has made substantial progress
17 since 1991. In both past and present elected
18 officials, city managers, and employers to be
19 commended for their efforts made difficult decisions
20 when necessary to match services with the city's
21 diminished tax base and to grow that tax base when
22 possible. The city is now in the position to
23 operate within its current means and grow toward a
24 stronger, more resilient future.

25 My tenure as the City of Duquesne's

1 recovery coordinator began in December 2018 during a
2 time of government, management, and fiscal crisis.
3 I'm proud to have teamed up with recent elected
4 officials, managers, and staff to save the city's
5 operations. Staff in the Governor's Center for
6 Local Government Services provided key support,
7 guidance and wisdom during the last few years.

8 Although it's my professional opinion
9 that the City of Duquesne meets the criteria
10 necessary to repeal its distressed status designated
11 under the law, the city officials should guard the
12 community's progress carefully and continue to
13 pursue the actions recommended in its exit plan. In
14 order to guard against projected deficits from their
15 future, the city should enter into the home rule
16 process to increase the revenue flexibility to meet
17 its ongoing service needs. The city should actively
18 pursue economic development by partnering with Steel
19 Rivers COG, Allegheny County, and neighboring
20 communities to the city's Comprehensive Plan.

21 I hereby recommend that the Secretary
22 of the Department of Community and Economic
23 Development issue the termination to rescind the
24 order declaring the City of Duquesne, Allegheny
25 County a distressed municipality under Act 47. The

1 Municipalities Financial Recovery Act is amended no
2 later than October 16th, 2023. Sincerely, George W.
3 Dougherty, Jr., PA Act 47 Recovery Coordinator for
4 the City of Duquesne.

5 HEARING OFFICER: Thank you, George.

6 And at this time, I would like to call
7 Bethany Williams, policy specialist, to make her
8 statement.

9 ---

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

14 ---

15 MS. WILLIAMS: Good evening, everyone.
16 My name is Bethany Williams, and I am the local
17 government policy specialist for the Pennsylvania
18 Department of Community and Economic Development
19 from the southwest office. It has been my privilege
20 to work with the City of Duquesne for the last year
21 and a half. And in that time, I've been able to see
22 the dedication of city council and their staff as
23 they worked hard to become financially stable and I
24 look forward to seeing that progress and
25 development. DCED's team and the Governor's Center
26 for Local Government Services faced more factors by

1 statute to determine the city's readiness to exit
2 the Act 47 program.

3 First, have operational deficits of
4 the municipality been eliminated? While the city's
5 2019 and 2020 audits show small operational
6 deficits, this trend did not continue through 2021
7 due in large part to the city's cumulative surplus
8 and federal department funding. With the continued
9 conservative budgeting and long term financial
10 planning, the city continued this positive trend in
11 the end of 2021.

12 Second, has the city retired, reduced,
13 or refinanced any debts? The city continues to
14 operate with very little long term debt. What
15 persists is mostly consisting of when they
16 refinanced in 2020 to reduce the annual payment to a
17 manageable level. The remaining debt is not
18 mitigated, it could cause future instability.

19 Third, has the municipality negotiated
20 and/or resolved all claims or judgments that would
21 place them in imminent financial default? And the
22 city currently has no outstanding claims or
23 judgments.

24 Fourth, are the reasonably projected
25 revenues of this municipality sufficient to fund

1 ongoing necessary expenditures? Based on financial
2 projections of the Act 47 coordinator, the city
3 should be able to remain financially stable.
4 However, a few key issues will arise post exit that
5 will need immediate attention. First, the loss of
6 the earned income tax will result in a loss of
7 \$85,000 annually. Second, the removal of the
8 collective bargaining caps that have been in place
9 due to the Act 47 legislation will be removed. As
10 expected, there's mounting pressure to negotiate
11 wages and benefits for the union workers.

12 These two points will necessitate
13 discussions by council to find creative ways to
14 contain cuts where possible as your expenditures are
15 likely to increase. In addition, council has
16 explored the idea of taking a vote to a potential
17 solution for adding back in the ability for advanced
18 taxation options. This is one action that council
19 can move forward with with help provided taxation
20 that will provide relief for the loss of annual
21 income and allow them to address the financial needs
22 in perpetuity.

23 In reviewing these four factors, it is
24 my opinion that the City of Duquesne has the
25 resources necessary and tools available to make a

1 successful exit from Act 47 if indeed it follows the
2 recommendations of the exit plan and budgets
3 conservatively moving forward. With the continued
4 hard work of their staff I see opportunity for
5 growth for the city.

6 HEARING OFFICER: Thank you, Bethany.

7 I would now like to invite any other
8 interested parties in the audience who would like to
9 present testimony to please come up to be sworn in
10 by the stenographer. And if you have not signed in,
11 please do so.

12 ---

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

17 ---

18 COURT REPORTER: Okay.

19 If you could spell your first and last
20 name for my first.

21 MR. ARTIM: D-E-R-E-K,

22 A-R-T-I-M.

23 COURT REPORTER: Thank you.

24 Go ahead.

25 MR. ARTIM: Hi, Kelly. I'm Derek

26 Artim - council - my name is Derek Artim. I'm a

1 council for the City of Duquesne, and I'm in charge
2 of council finances. With being in charge of
3 council finances, going forward we have made
4 dedication to set up policies and procedures and
5 have a sound budget going forward so that the city
6 can come out of Act 47 and do the proper things that
7 need to be done to keep the city moving forward so
8 that we don't fall back into where we were. So if
9 we keep continuing to do that, following the
10 procedures that have in place that we put together
11 with George Dougherty, I think we'll stay on a good
12 financial path going forward to get us out of Act 47
13 and made us go a better way in the future.

14 HEARING OFFICER: Thank you.

15 Is there anyone else?

16 Seeing no other witnesses, I would
17 like to take this opportunity to thank those in
18 attendance and those who provided evidence and
19 testimony at today's administrative public hearing.
20 Today's evidence and testimony will be presented to
21 Secretary Rick Siger for his final determination as
22 to whether the City of Duquesne's status as a
23 financially distressed municipality should be
24 terminated. Pursuant to Section 255.1b of Act 47,
25 the determination will be issued within 90 days of

1 today's hearing.

2 I thank everyone very much, and this
3 hearing will be adjourned as of 6:17.

4 * * * * *

5 HEARING CONCLUDED AT 6:17 P.M.

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1 CERTIFICATE

2 I hereby certify that the foregoing proceedings,
3 hearing held before hearing officer Robertson was
4 reported by me on July 17, 2023 and that I, Deanna
5 Heckel, read this transcript, and that I attest that
6 this transcript is a true and accurate record of the
7 proceeding.

8 Dated the 7th day of August, 2023.

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11 Deanna Heckel,

12 Court Reporter
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Duquesne

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