

LOCAL GOVERNMENT SYMPOSIUM

***Looking Forward: Local Government in an
Evolving Landscape***

October 6, 2022

ACT 47 CASE STUDY –

The Experience of the Town of Greenville

Mercer County PA

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TIME LINE: GREENVILLE, MERCER COUNTY

- Greenville declared distressed – May 8, 2002
- Recovery Plan adopted – January 9, 2003
- Recovery Plan revisions – September 2008, June 2011, September 2011, November 2013, April 2015 and January 2017
- Exit Plan adopted – April 2019
- Exit Plan extended – April 2020 to October 2023
- Anticipated rescission – October 2023

FINANCIAL DISTRESS – UNDERLYING CAUSES

- attributed to mismanagement related to the development of the Riverside Recreation complex rather than reduction of tax base related to the loss of Trinity Industries
- Criteria 1 – general fund deficit for 6 years from 1996 – 2001
- Criteria 2 – Expenditures exceeded Revenues for 6 years
- Criteria 3 – Default on repayment of TAN at 12/31/2001 (repaid \$30,000 of \$288,000 p/i)
- Criteria 7 – Deficit ranged from 13% to 92% for years 1996 – 2001
- Other contributing factors – general obligation borrowing capacity reduced to \$300,000, poor financial reporting, absence of capital improvements plan to address infrastructure needs

APPROACH TO ACT 47 SINCE AUGUST 2006

- Recognition that Greenville functions as regional hub in Mercer County – educational, health care and religious institutions and services that constitute 40% of town's real estate tax base
- Focus on viability, stability, consistency in the short and long term
- Facilitate municipal capacity building
- Develop a sound financial management system to support budget and accounting functions
- Identify/address opportunities and road blocks posed by the current government structure
- Encourage the exercise of “political will”
- Implement change incrementally, but consistently over time

CRITICAL RECOVERY PLAN/EXIT PLAN ELEMENTS

- **Home Rule** – incorporated financial management standards and policies from Recovery Plan into the Home Rule Charter
- **Economic Development Agency** – stipulated as part of home rule charter
- **Workforce Limitations** - labor attorney advises in collective bargaining matters
- **Fire Service Fee** – adoption of alternative revenue source to fund full-time fire department
- **Capital Improvements Plan/Funding** – annual adoption of 5-year capital improvements plan and budgetary commitment of general fund revenue to capital improvements, allocation of year-end general fund surplus to capital reserve
- **Contract for police service** – West Salem Township

REVENUE – tax structure revision under Act 62

Home Rule – utilization of Act 62 taxing authority to diversify revenue structure to reduce general fund real estate tax from 38.08 to 28.08 mills

- 2021 & 2022 – increased EIT rate by .5% on resident wage earners
- 2021 & 2022 – increased realty transfer tax rate by .5%
- 2022 - real estate tax from 38.08 to 28.08 mills

Capital Improvements – changes in revenue sources/structure have resulted in the development of a potential annual revenue stream to fund on-going capital improvements. Allocations to capital improvements have been made in 2021 and 2022.

REVENUE – broadening the revenue base

- **Storm water utility fee (2016)** - \$100 per ERU (residential unit) with higher rates for multi-family, commercial/industrial and institutional properties – administered by Greenville’s sanitary authority
- **Fire service fee (2022)** – conceptually similar to storm water utility fee with \$210 per residential unit and proportionately higher fees for multi-family, commercial/industrial and institutional properties – administered by the town administration

STRATEGIC USE of DCED ACT 47 GRANTS

- **Financial management system** – multiple computer hardware and software initially to establish fund accounting and budgeting system, then augmented to address police, fire and public works department functions (approx. \$100,000)
- **Government Study Commission** – funding for consultant to assist study commission draft proposed home rule charter and conduct educational forums prior to referendum (HRC adopted 2019 72% voted “yes”) (\$30,000)
- **Storm Water Utility Study** – funding for study and acquisition of software for billing and collection of the fee (\$63,500)

STRATEGIC USE of DCED ACT 47 GRANTS

- **Community Housing and Economic Development Study –** professional/technical assistance for assessment of commercial district and housing stock – complement to EPA regional “brownfields” multi-phase study to identify redevelopment opportunities (\$40,000)

EXERCISE OF “POLITICAL WILL”

Elected officials willingness to exercise power/authority

- Commitment to/support for professional management
- Cooperation/collaborative approach to implementation of short and long run recovery and exit plan elements
- Willingness to take responsibility for change and make hard decisions
- Public education - continual reporting/discussion of financial/organizational progress

STRUCTURAL ROADBLOCKS FOR ACT 47 MUNICIPALITIES

- **Urban Redevelopment Law (1945)** – state legislation recently eliminated the population threshold for municipalities to permit all municipalities to establish redevelopment authority. This is especially valuable when and where a regional/county approach is not available.
- **Land Bank Law (2012)** – need to remove population threshold to permit municipalities to create land banks to return vacant, abandoned and tax-delinquent properties to productive use. This is especially important where and when a regional/county approach is not available.
- **Storm Water Utility Law (2016)** – amendment of borough code to permit creation of a municipal storm water utility as an alternative to a municipal authority similar to other municipal codes.

STRUCTURAL ROADBLOCKS FOR ACT 47 MUNICIPALITIES

- **Real Estate Assessments** - the last countywide property tax assessment in Mercer Co. occurred in 1972. The state legislature should mandate and provide funding support for reassessments on a periodic basis of 5-10 years to strengthen the local base and assure equity across the spectrum of property owners within a municipality.
- **Delinquent Property Tax Collection** – the state legislature should enact standards to alleviate unevenness in the collection of delinquent real estate taxes by county tax claim bureaus to instill consistency in the revenues received each year.

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