

February 1, 2008

CITY OF SHARON ANNUAL STATE OF THE CITY REPORT

The City of Sharon has completed another year in our effort toward fiscal responsibility and positive change. We continue utilizing the Early Intervention Report in guiding us, and the following report will reflect on our accomplishments and the challenges ahead. Additionally, the voters in November elected to proceed with a new form of government, so now we must blend our objectives with it to provide for a seamless transition.

1. Sale of the Waste Water Treatment Plant and Collection System

- A. The efforts of city council and the administration to complete the sale encountered many roadblocks and hurdles. These included, but were not limited to:
 - (1.) Bidding, financing, and the start of constructing a new waste water plant
 - (2.) Re-establishment and appointment of the Sharon Sanitary Sewer Authority
 - (3.) Critical involvement of the Mercer County Commissioners in our bond issue
 - (4.) Objections raised by Penn Vest
 - (5.) Significant changes in Aqua's proposal
- B. The status is in a hold position with the ownership of the plant and the collection system now under the Sanitary Sewer Authority. The Authority will reassess, in the middle of 2008, its options concerning the operations of the plant and collection system to assure the efficiency of both.

2. Police Department

- A. City council and the administration, with the expertise of Chief Menster and his staff, reduced expenditures 6.5% in 2007 with no measurable effect on service or safety.
- B. The City, in negotiations with the Fraternal Order of Police, negotiated a new three-year labor agreement. The contract provides for wage increases in each year and addresses the escalating cost of healthcare, along with long-term contractual commitments. In summation:
 - (1.) F.O.P. members will contribute \$25 per pay toward healthcare premiums in 2008. This will increase to \$32.50 in 2009 and to \$40 in 2010. This equates to approximately 7%, 9%, and 12% of the average premium costs per year.
 - (2.) New officers will not receive longevity, nor have the ability to accumulate sick leave. Current longevity payments are \$100 for every year of service with a maximum of \$2,000 and accumulated sick leave payments can currently be up to \$30,000.
 - (3.) The City will provide a short-term and long-term disability policy at a cost of approximately \$600 per year.
- C. The City, in cooperation with the F.O.P., must continually explore all avenues in providing protection to the public. As I stated in the 2007 State of the City report: "...Sharing or contracting out police services are some options that must be considered by the city..." We must at least provide a framework, in 2008, toward these efforts.

3. Shenango Valley Community Library

- A. The budgeted subsidy for 2007 was \$120,000; however, the City's actual cost was \$154,000. I proposed \$42,000 for the 2008 budget, but City Council increased the subsidy to \$102,000.
- B. The need of a community library in the Shenango Valley is essential; however, the City of Sharon can no longer afford the funding formulas of the past. It takes the entire valley and possibly the county to find the correct solution for this dilemma.

4. Healthcare

- A. After two years of decreasing costs the City's 2008 healthcare premium increased by 22% or \$200,000. Thanks to the efforts of the F.O.P. and the non-union employees for their contributions toward the healthcare premiums, the City reduced a portion of the increase. The remaining unions in the City, must understand the importance of healthcare costs in the upcoming bargaining talks.
- B. I believe that the City's targeted goal must be Health Savings Accounts. By placing the cost and potential savings of a H.S.A. in the hands of the employees, an equitable healthcare package is attainable. It will give the City a definitive cost and the employee will realize true monetary savings by being more prudent with healthcare dollars.

5. Fire Department

- A. City Council and the Administration, with the expertise of Chief Whalen and his staff, reduced expenditures by 8.4% in 2007 with no measurable effect on service or safety.
- B. An automatic response plan with the City of Farrell is proposed and a decision of implementation must be reached this year.
- C. Local 417 of the International Association of Fire Fighters presented, in the last quarter of 2007, a proposal to provide Emergency Ambulance Services in 2007. Expansion of duties and providing additional services is in the best interest of everyone. A decision in 2008 is needed.
- D. 2008 is the final year of the contract with the fire fighters union. Healthcare, long-term contractual obligations, expansion of coverage areas, hours of work, part-timers, and consolidation are just some issues. As mentioned under "2. Police Department" we must continually explore all avenues in providing protection to the public.

6. Street Department

- A. The implementation of a wintertime schedule saved the City approximately \$8,000 in 2007.
- B. There was an additional savings of \$8,000 with the optimum use of the City's dumpsters.

7. Labor Cost Savings

- A. The City started 2007 with 96 full-time and 32 part-time employees and ended the year with 85 full-time and 9 part-timers for a savings of approximately \$750,000. The elimination of positions is always difficult but any business must constantly analyze its labor force.
- B. Thank you to the AFSCME union for cooperating with the City in combining job duties and the cross training of positions within their bargaining unit.

8. Office Efficiency and Technology

- A. The City, at a lower monthly cost, leased a phone system in 2007. The voice over I.P. technology allows for better communications throughout the City now and in the future.
- B. The City received a grant of \$55,000 for new computer hardware and software upgrades. We chose a completely integrated system for all departments. It will provide better tracking of expenditures and revenues, labor costs, budgetary controls and analysis, rehabs and revitalizations, rental property inspections and code enforcement. For example, we recently took payroll and employee tax documentation in house for a savings of over \$10,000 per year.
- C. We are applying for an additional \$55,000 in 2008 to complete the upgrade.

The City of Sharon has many hurdles ahead, and our goal is not just clearing them, but building on our positive accomplishments. Both are below:

1. Declining Population

The City's population has decreased approximately 9% since the last census. This means that the remaining citizens must make up for the loss of tax dollars. We must refocus our efforts on providing affordable housing, especially for families earning eight to twelve dollars an hour. Our redevelopment monies have to make real changes in targeted neighborhoods. Keeping that in mind, we currently have in the very early stages two proposed projects. In addition, the Center City Lofts building reflects fifty new two-bedroom apartments.

2. Development of the Downtown

Our downtown has stabilized, and the City must continue to build off the efforts of Penn State Shenango and the Shenango Avenue Associates' Waterfront Revitalization Project. There are a limited number of discretionary dollars in the valley, so an eclectic mix of business, retail, arts, education, and housing must be our target.

3. Cost of City Services

Our recent financial turn-a-round is attributable mostly to the reduction of expenditures; however, more savings will be less attainable in upcoming years. The City's workforce was trimmed significantly, but I believe we are close to the limit in staff reductions. We will continue in the implementation of our software system to streamline jobs; however, the administration and council must redefine our focus on the revenue streams of the City. With that in mind, in the upcoming months, the department supervisors we will review and discuss the current fee schedule ordinance and present their recommendations to City Council.

4. Land Value Tax

I believe that a split tax (Land Value Tax) is in the best interest of Sharon. The City cannot afford speculators sitting on vacant land, corporations demolishing large facilities and the penalizing of developers, business, and homeowners for improvements to their properties. However, the implementation of our Home Rule Charter places considerable challenges to the enactment of the land value tax.

5. Positive Aspects of 2007

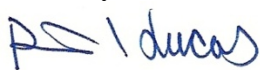
- A. Save-A-Lot Grocery Store – A welcome addition to our downtown after an absence of over twenty years
- B. Stewart Avenue
 - (1.) A key industrial corridor roadway for five businesses
 - (2.) Through the hard work of private and public entities, the City qualified for an Industrial Development Project that provided the funding
 - (3.) This \$700,000 project was conceived, designed, constructed, and completed in six months
- C. City Finances – The yearly audit highlighted a \$457,000 fiscal turn-a-round in 2006
- D. The Completion of the Shenango Street and River Walk Improvements
 - (1.) This is part of the \$1.5 million R.A.C.P. grant secured under Mayor Dave Ryan's administration
 - (2.) The construction of a footbridge in 08-09, connecting the river walk to Porter Way, will complete the project
- E. Precision Manufacturing Institute
 - (1.) This is a high-tech educational facility for our manufacturing community
 - (2.) Again, this project is an example of the collaboration of the private and public sector
- F. \$32 Million Downtown Revitalization Development
 - (1.) Largest endeavor in our downtown in recent memory
 - (2.) Redefines the center of the downtown
 - (3.) Addresses the education, transportation, commercial, retail, housing, arts, and entertainment needs of our business district
- G. State Street Bridge – Kudos to PennDot and Delta Constructors for designing and building a classic bridge
- H. Mercer County Housing Authority's Mesabi Street Rehabilitation Project
- I. Start of Construction of the new Waste Water Treatment Plant
 - (1.) \$42 million plant ordered built under a consent agreement with the Pennsylvania Department of Environmental Protection
 - (2.) Plant will serve the people and industries of Sharon, Hermitage, South Pymatuning, Sharpsville and Trumbull County, Ohio
 - (3.) Acknowledgement and thanks to:
 - a. Mercer County Commissioners, their financial and legal personnel
 - b. Sharon Sewer Authority members

- c. Solicitor William Madden
 - d. Sharon City Council
 - e. MS Consultants
 - f. Raymond James' Larry Bashe & Amanda Modjeska
- J. City of Sharon's Beautification Commission
- K. Weed Eradication Program
- (1.) Rip-Rap wall on the Shenango River and North Water Avenue
 - (2.) Sidewalks on Sharpsville Avenue, North Water Avenue, South Irvine Avenue and the Downtown sidewalks
- L. Improvements to traffic flow
- (1.) Replacement of traffic signals with four-way stops at:
 - a. Silver & Oakland
 - b. Silver & Sharpsville
 - c. Silver & Penn
 - d. Stambaugh & Division
 - e. Irvine & Budd
 - f. Irvine & Logan/Davis
 - (2.) Removal of the one-way status on Silver Street
 - (3.) Completion of the Traffic Study
 - a. Reinforced our commitment to the re-opening of Budd Street between South Dock and the Freeway
 - b. Extension of Franklin Street from Shenango Avenue to Penn Avenue to facilitate the movement of trucks away from Silver Street and Pitt Street. In addition the elimination of truck traffic through the Penn State Shenango Campus
 - c. Road improvement at North Dock and Wishart to allow for truck traffic to proceed to Sharpsville Avenue

In 2005, I stated that the City of Sharon needed a positive change and with the efforts of City Council, we have moved our City forward. We demonstrated a transparency in government and closed the door on backroom politics. 2006 was a year of shoring up our finances with 2007 continuing good fiscal practices and addressing growth in our downtown. This year's goals are to continue our commitment to the downtown and our business community, bring forth our neighborhood revitalization plans, holdfast to our fiscal policies, and not waste our time or efforts responding to the naysayers.

As stated in the 2007 report, let me conclude by thanking the many City employees who are cooperating in achieving our goals, the past and current members of City Council, the Governor's Center on Local Government Services, the Home Rule Study Commission and the various volunteers who are working on behalf of the City.

Sincerely,



Robert J. Lucas
Mayor