
City of Coatesville
Early Intervention Program Phase II
Five-Year Financial Plan Update



Prepared by the Econsult/Fairmount Group

November 2010



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Executive Summary

In 2008, the City of Coatesville engaged Fairmount Capital Advisors, Inc. to assist the City in developing a comprehensive long-range plan as part of the Commonwealth's Early Intervention Program. The purpose of the Early Intervention Program is to establish short-term and long-term financial and management objectives that strengthen the fiscal capacity of local governments and integrate long-term community and economic development strategies that strengthen the local tax base.

The 2008 plan declared that Coatesville faced severe financial challenges, which, if not properly addressed, threatened its capacity to deliver even the most basic services to its residents. The plan presented recommendations to reduce projected budget deficits through revenue enhancements, cost reductions, and improved overall operations. The ultimate goal was to strengthen the tax base so that current annual revenues would be sufficient to cover annual expenditures.

Though the City has taken steps to improve its financial position since 2008, Coatesville's financial situation remains daunting. Contrary to the recommendations in the 2008 plan, the City again made principal withdrawals from the Reserve Trust Fund to close the budget gaps in 2008 and 2009. In 2008, the City withdrew approximately \$500,000 to fund operations. In 2009, the City required an \$8.5 million transfer from the Trust Fund to repay a line of credit from the Redevelopment Authority and cover some operating expenses. The reduction in principal balance in the Trust Fund increased pressure on future operating budgets as the City relies on interest earnings from the Trust Fund to support operations.

Coatesville's hopes of eliminating deficits in 2008 and 2009 were hindered by the struggling global economy, which resulted in stagnant revenues and limited development opportunities for state and local governments across the county. In addition, Coatesville suffered from a rash of arsons, which not only terrorized the citizenry for months, but also soaked government resources and weakened the City's image to potential residents and businesses. It is difficult to estimate the full impact of the arsons on the City's finances and investment prospects.

In 2010, the City's expenses will again exceed revenues (even after interest earnings transfers from the Trust Fund) and the budget will be balanced with the help of a "Contingency Fund" transfer of approximately \$466,000. This is essentially a fund balance transfer and not a recurring revenue source. The continued reliance on "one-shot" revenues masks the growing structural imbalance of core operations.

Since the 2008 plan was delivered, while not fully successful, the City has acted to curtail expenses, strengthen revenues, and improve general operations. For



example, as of this writing, the City employs five fewer full time employees than in 2008¹, which has helped contain personnel expenses. Delinquent real estate and earned income tax collections have improved and a multi-year capital improvement plan was developed.

Despite these and other actions, however, the trend of budget deficits has not been reversed. In May of 2010, the Econsult/Fairmount Group was hired to update the five-year financial plan, recommend new gap closing measures, and develop an economic development strategy. The updated plan revisits the baseline five-year financial forecasts, which again show deficits. Without corrective action – assuming budget trends remain constant and no new revenues are generated – the operating deficit will reach almost \$2.4 million by 2015, with a 2015 year-end fund balance deficit of almost \$3.7 million.

Baseline Operating Projection, 2011-2015

	2011	2012	2013	2014	2015
Total Revenues	7,736,218	7,816,523	7,905,257	7,996,008	8,088,822
Total Expenditures	9,078,811	9,398,245	9,734,292	10,088,186	10,456,272
Operating Surplus (Deficit)	(1,342,593)	(1,581,722)	(1,829,035)	(2,092,178)	(2,367,450)
Net Other Financing Sources	1,146,075	985,000	985,000	985,000	985,000
Net Change in Fund Balance	(196,518)	(596,722)	(844,035)	(1,107,178)	(1,382,450)
Beginning Fund Balance	457,772	261,254	(335,468)	(1,179,503)	(2,286,682)
Ending Fund Balance	261,254	(335,468)	(1,179,503)	(2,286,682)	(3,669,132)

This 2010 Plan (the “Plan”) is organized into four chapters, an appendix, and this executive summary.

- **Chapter One** reviews Coatesville’s financial history since 2003.
- **Chapter Two** estimates the City’s ongoing operating deficits should it maintain current operating procedures with no significant growth in the tax base. The projections establish a baseline operating forecast, which shows a structural deficit.
- **Chapter Three** provides a status update of the recommendations in the 2008 report and outlines new gap closing measures going forward.
- **Chapter Four** presents the revised operating forecast taking into account the recommendations in this plan.
- Finally, **the Appendix** includes background information on some of the analysis and computations in the report. The economic development strategy is presented in a separate document.

¹ Source: City of Coatesville records (Human Resources)



The Econsult/Fairmount Group has worked closely with the City since June of 2008 to construct the Plan. To support this effort, the Econsult/Fairmount Group reviewed independent financial audits from 2003 through 2008; internal revenue and expense detail for 2009 and 2010; and the City Manager's preliminary 2011 budget. We also reviewed other relevant financial information such as pension actuarial reports and Trust Fund account detail. We received written updates from each department head regarding the 2008 plan recommendations. We followed up with each department head with a phone or in person interview for further clarification where necessary and reached out to union representatives for their input. The key findings and recommendations of this report were presented at a public meeting on November 8, 2010.

The Plan was developed with the goal of providing the City with a set of options for increasing revenues and reducing expenditures, systematically reducing the annual budget gap, and ultimately achieving budgetary structural balance. The Plan should also provide a framework for public discussion of the City's policies, programs, and priorities as well as document the realities of the City's fiscal position. While a detailed listing of our recommendations is presented in the body of the document, below is a summary of several main components and principles that form the basis of the Plan.

Revenue Enhancement

Similar to the 2008 report, this update recommends that the City take a number of actions to improve revenue collections, such as reevaluating fee levels on a regular basis to recover the cost of services and improving solid waste revenue collections. This plan also recommends that Coatesville consider incremental increases in the real estate tax millage rate starting in 2012 until the rate is restored to the 2009 level. Though its tax rates are the least competitive in Chester County, the City must weigh the negative implications of higher tax rates against the cost of deficits and financial instability. While tax rate increases may be counterproductive to economic development efforts, Coatesville must stabilize its financial position without undermining its ability to provide basic services.

This report recommends that the City maintain its existing real estate tax millage rate through 2011 and then reassess its financial position to determine if tax rate increases are necessary. If the financial position has improved and other gap closing measures recommended in this report produce anticipated results, rate increases may be avoided or minimized.

Cost Containment

This plan outlines a number of cost containment recommendations including reducing the workforce by one full-time employee and a five percent reduction in non-personnel/non-debt service related costs. However, if the City is to achieve structural budgetary balance, additional controls on personnel costs must be implemented. Though currently Coatesville employs five fewer full-time employees today than in 2008, salary and benefits costs are still by far the most influential cost



driver in the operating budget, accounting for over 68 percent of operating costs. The City simply cannot control expenditure growth without addressing personnel costs. This plan establishes personnel expense savings targets. These targets may be achieved by limiting salary increases and reducing benefits costs through a combination of plan restructuring, changes in co-pays, and increased employee contributions towards premiums.

Fiscal Discipline

Coatesville should pursue solutions that are -- to the greatest extent possible -- recurring, not one-time-only measures. The overreliance on one-time revenue sources to fund recurring operating expenses only compounds structural budget problems and pushes tough budget decisions into the future. The City should avoid withdrawals from the Trust Fund. When it was first established, the Trust Fund generated \$2.6 million in annual interest earnings for capital and operational needs, but it now generates just \$600,000. Still, Trust Fund earnings represent the third highest General Fund revenue source. Further withdrawals would reduce the Trust Fund's capacity to produce interest earnings, which would increase pressure on the operating budget.

Economic Development

Ultimately, Coatesville's path to financial stability still depends on its ability to successfully implement a long-term strategy to stimulate community and economic development. The City cannot continue to provide the current level of services without increasing the capacity of the economic base to generate new revenue. Without growth in revenues through economic development, the City will continue to struggle with budget deficits.

Capital Investment

Since 2008, Coatesville has established a multi-year capital improvement program; however, funding the program remains a challenge. As operating budgets have tightened, available funding for capital projects has diminished. Despite its demanding financial position, the City must remain committed to its capital improvement program. Deferring regular maintenance and improvements into the future may save in the short-term, but will increase costs in the long-term and harm economic development efforts. This plan presents recommendations for increasing funding for capital improvements. This new funding is still insufficient to address all of the City's capital needs; however, it represents a step in the right direction.



Below is the revised financial projection with corrective action:

Revised Operating Projection with Corrective Action, 2011-2015

	2011	2012	2013	2014	2015
Total Revenues	7,758,718	7,960,191	8,170,100	8,260,988	8,365,694
Total Expenditures	8,818,507	8,917,024	9,121,941	9,344,480	9,580,978
Operating Surplus (Deficit)	(1,059,789)	(956,833)	(951,841)	(1,083,492)	(1,215,284)
Net Other Transfers	1,071,075	910,000	910,000	910,000	910,000
Net Change in Fund Balance	11,286	(46,833)	(41,841)	(173,492)	(305,284)
Beginning Fund Balance	457,772	469,058	422,225	380,384	206,892
End Year Fund Balance	469,058	422,225	380,384	206,892	(98,392)

The revised financial forecast shows positive ending fund balances in the short-term, but declining financial positions in the intermediate and long-terms. The recommendations would result in necessary structural improvements to the budget and provide interim financial relief while giving economic development efforts time to develop and provide tax base growth. However, as shown in the revised forecasts, even with significant corrective action the City faces deficits in the future if new revenue sources are not realized through economic expansion.

Considering Coatesville’s history of budget deficits, the City must monitor its finances closely and be prepared to act if its financial condition fails to improve as anticipated. If Coatesville is not able to expand the tax base and economic development activities do not result in increased revenues to the General Fund, then more severe action will be required. The City will be forced to consider additional tax rate increases and service cuts, which could frustrate economic development initiatives and stunt growth. Thus, diligence in implementing the Plan and monitoring the City’s fiscal position is critical.

Though the City has taken some steps to improve its financial position, significant challenges remain. Without immediate corrective action, Coatesville will continue to suffer deficits and decline. Achieving and maintaining structural budgetary balance requires the willingness to implement difficult and unpopular changes. Executing the recommendations in this plan demands short-term action and long-term commitment to financial discipline and stability.



Chapter One

Historical Financial Performance

Introduction

This chapter presents an overview of Coatesville's financial health since 2003. The analysis focuses on the General Fund and Debt Service Fund results based on independent financial audit data for 2003 through 2008, and unaudited internal financials for 2009 and 2010. The General Fund and Debt Service Fund account for the City's taxpayer supported operating activity and are key to understanding the City's financial performance. This chapter does not include the year by year discussion of the City's finances from 2001 that was included in the 2008 report. Rather this review updates the historical financial performance from the prior Early Intervention analysis to include 2008 and 2009 results and 2010 projections.

Operating Results and Fund Balances

As illustrated in Exhibit 1.1 on the following page, the City's expenses consistently exceeded revenues in recent years. The City's operations, which do not include principal transfers from the City Reserve Trust Fund (the "Trust Fund"), experienced deficits every year from 2003 to 2009. Even after interest transfers from the Trust Fund, expenses exceeded income and transfers from other sources were required to meet obligations.

Exhibit 1.2 is a visual depiction of the City's operating deficits. The 2008 report includes a year-by-year commentary on Coatesville's finances, which is not repeated in this update; however, it is clear that the City suffers from severe structural budgetary imbalance. As deficits widened, the City was forced to take more drastic corrective action. In 2006, Coatesville doubled the resident earned income tax rate from 1 to 2 percent and increased the real estate tax millage rate from 5.3 (land tax weighted average) to 9.905. These rate increases helped the City generate 46 percent more revenue in 2006 over 2005.

The City also retired all of its callable debt and covered its operating deficit through a \$9.1 million transfer out of the Trust Fund. The debt refinancing resulted in a one-time spike in operating expenses. After retiring the callable debt, just one bond issue (Series of 1992) was left outstanding, requiring annual debt service of \$275,000.

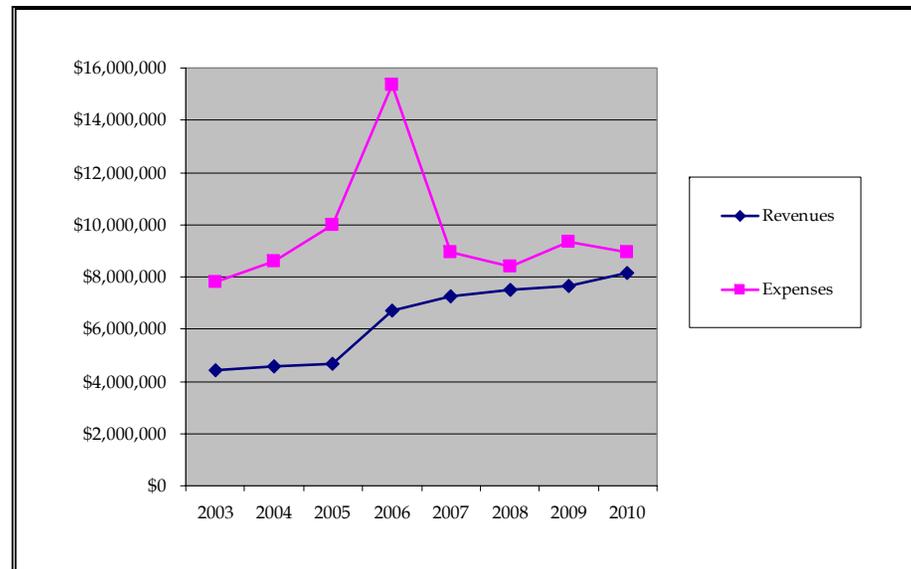
The deficits have narrowed since 2006; however, revenues are not growing at the same rate as expenses and the City struggles to balance budgets without the help of one-time revenue sources. The City experienced operating deficits (before transfers from the Trust Fund) of \$903,000 (or approximately 12 percent of total revenue) and \$1.7 million (more than 18 percent of total revenue) in 2008 and 2009, respectively.



Exhibit 1.1
General Fund and Debt Service Fund: Combined Change in Revenues, Expenses, and Fund Balance, 2003-2010

(Dollars)	Audited 2003	Audited 2004	Audited 2005	Audited 2006	Audited 2007	Estimated 2008	Estimated 2009	Budgeted 2010
Total Revenues	4,405,677	4,579,811	4,659,390	6,732,626	7,247,907	7,497,221	7,631,899	8,170,606
Total Expenditures	7,818,323	8,591,492	10,006,112	15,371,579	8,935,374	8,400,440	9,353,087	8,932,719
Operating Surplus (Deficit)	(3,412,646)	(4,011,681)	(5,346,722)	(8,638,953)	(1,687,467)	(903,219)	(1,721,187)	(762,113)
Net Other Financing Sources	2,453,851	2,370,300	6,194,545	9,426,241	1,732,264	1,119,768	2,362,003	753,761
Net Change in Fund Balance	(958,795)	(1,641,381)	847,823	787,288	44,798	216,549	640,816	(8,352)
Beginning Fund Balance	1,025,868	67,073	(1,574,308)	(725,805)	61,483	(44,772)	(174,692)	466,124
Ending Fund Balance	67,073	(1,574,308)	(726,485)	61,483	106,281	171,777	466,124	457,772

Exhibit 1.2
General Fund and Debt Service Fund: Combined Revenues and Expenses, 2003-2010





To close the budget gaps in 2008 and 2009, the City made principal withdrawals from the Trust Fund. In 2008, the Trust Fund generated \$1,050,235 in interest earnings, but the City transferred \$1.6 million out of the fund. Investment gains in the fund prevented a decline in the Trust Fund balance. In 2009, the City required an \$8.5 million transfer from the Trust Fund to repay a line of credit from the Redevelopment Authority and cover operating expenses. The reductions in principal balance in the Trust Fund increased pressure on future operating budgets as the City relies on interest earnings from the Trust Fund to support operations.

In 2010, the City's expenses will again exceed revenues (even after interest earnings transfers from the Trust Fund and transfers from the Solid Waste fund) and Coatesville will balance the budget with the help of a "Contingency Fund" transfer of approximately \$466,000. This is essentially a fund balance transfer and not a recurring revenue source.

Though steps have been taken to curtail expenses, the City has not reversed the trend of budget deficits. The gap between revenues and expenditures in recent years has been covered largely through nonrecurring actions, such as asset sales and principal transfers from the Trust Fund, which masked the growing structural imbalance of core operations and by delaying actions to achieve structural balance made the problem even larger.

Exhibit 1.3 presents a summary of the non-recurring revenue sources used to balance budgets since 2003. This data is provided by the City's audited financial statements and the Finance Department's internal records. It should be noted that because the inter-fund transfers could not be reconciled, the allocating of funds to each "Other Financing Source" is a best estimation based on the Econsult/Fairmount Group's interpretation of the City's audited financial statements. The "Other Financing Sources" are also net of any transfers to the G.O. Bond Fund.

The use of non-recurring revenues has come at the expense of capital improvements. When the Trust Fund was originally established the interest earnings were meant to be used for a combination of operating and capital purposes. As the City's financial position has deteriorated and structural deficits increased, more funds were diverted from capital improvements in favor of the General Fund. These funds provided short-term budget relief, but the accumulation of deferred maintenance has pushed expenses off into the future. In addition, investment in capital improvements and maintaining the City's infrastructure is key to encouraging economic development and expanding the tax base.

* Note on Exhibit 1.3: The 2009 and 2010 transfer activity reflects the appearance of the City Manager's budget as maintained by the Finance Department. In 2010, the budget showed more capital transfer in and out of the General Fund than in previous years. The exhibit is designed this way for consistency with the Finance Department's managerial preferences and do not change the City's final bottom line financial position.

It should also be noted that the beginning fund balances in 2008 and 2009 had to be estimated based on the City's internal financial records. The draft 2008 audit notes significant record keeping deficiencies and the inability to sufficiently account for the reconciliation of bank accounts to a general ledger control account. These exhibits represent the Econsult/Fairmount Group's best estimation of fund balances.



**Exhibit 1.3 *
Operating Results and Detailed Other Financing Sources, 2003-2010**

(Dollars)	2003	2004	2005	2006	2007	Estimated 2008	Estimated 2009	Budgeted 2010
Total Revenues	4,405,677	4,579,811	4,659,390	6,732,626	7,247,907	7,497,221	7,631,899	8,170,606
Total Expenditures	7,818,323	8,591,492	10,006,112	15,371,579	8,935,374	8,400,440	9,353,087	8,932,719
Operating Surplus (Deficit)	(3,412,646)	(4,011,681)	(5,346,722)	(8,638,953)	(1,687,467)	(903,219)	(1,721,187)	(762,113)
Other Financing Sources								
Transfer from Reserve Fund (Prin) *			4,268,131	7,711,172			8,500,000	
Transfer from Reserve Fund (Int) *	2,305,832	1,998,800	1,611,490	1,202,873	1,080,000		977,962	600,000
Transfer from Rainy Day Fund	66,111	268,592	120,777					
Transfer Capital Reserve Fund			127,405	237,575	(4,577)		(3,945)	(1,557,276)
Transfer from Liquid Fuels							(299,776)	(89,839)
Transfer from Grant Projects								1,437,776
Transfer from Solid Waste								350,000
Transfer to RDA Line of Credit							(7,000,014)	
Transfer Other/Vehicle Fd/Bldg Fd			10,171	275,000		1,001,733		(36,900)
Asset Sale			5,616	3,215	679,901	8,215		
Refunds from prior year	81,908	102,908	50,955	(3,594)	(23,059)	109,820	187,776	50,000
Total Other Financing Sources	2,453,851	2,370,300	6,194,545	9,426,241	1,732,264	1,119,768	2,362,003	753,761
Net Change in Fund Balance	(958,795)	(1,641,381)	847,823	787,288	44,798	216,549	640,816	(8,352)
Beginning Fund Balance	1,025,868	67,073	(1,574,308)	(725,805)	61,483	(44,772)	(174,692)	466,124
Ending Fund Balance	67,073	(1,574,308)	(726,485)	61,483	106,281	171,777	466,124	457,772



Operating Revenues

Exhibit 1.4 displays by major category of the City’s budgeted operating revenues for 2010. The budgeted operating revenues reflect the City’s revised operating budget as of August 2010 in addition to adjustments based on conversations with the City’s Finance Director.

**Exhibit 1.4
Operating Revenues, 2010**

The two largest revenue sources are real estate taxes and earned income taxes, which together account for approximately 65 percent of all revenues. Other major revenue sources include real estate transfer taxes (\$837,000), charges for fees and services (\$550,000), intergovernmental revenue (\$695,000) and fines and forfeits (\$320,000). In November 2010, the City will receive approximately \$507,000 in real estate transfer taxes associated with the sale of Millview Apartments. This revenue is critical to meet the City’s cash flow needs and balancing the budget for 2010, however it is a one-time revenue source and cannot be counted on for future budgets.

Category	Projected 2010	Pct of Total
Real Estate Taxes	2,440,000	29.9%
Earned Income Tax	2,825,000	34.6%
Real Estate Transfer Tax	837,088	10.2%
Charges for Fees/Services	555,000	6.8%
Intergovernmental Revenue	694,518	8.5%
Fines and Forfeits	320,000	3.9%
Licenses and Permits	243,000	3.0%
Local Services Tax	94,000	1.2%
Interest and Rents	45,000	0.6%
Business Privilege Tax	45,000	0.6%
Other Revenue	72,000	0.9%
TOTAL	8,170,606	100.0%

Exhibit 1.5 presents a five-year history of Coatesville’s operating revenue sources. From 2003 through 2009, total revenue increased 73 percent. This surge was due largely to increases in real estate and earned income tax rates. Over that time period, Coatesville’s real estate and earned income tax revenue increased 129 percent from \$2,384,000 to \$5,470,000. All other revenues increased just 7 percent (or about 1 percent per year) over that same time period.

The 2008 Early Intervention report noted that growth and investment were essential to boosting General Fund revenues and securing long-term fiscal stability. The revenue producing projects identified by the administration have been slower to develop than anticipated and the City has realized modest revenue growth. The arsons of late 2008 and 2009 combined with a struggling economy has not been favorable for the City’s economic development prospects.

As illustrated in Exhibit 1.5, the City’s primary revenue sources – real estate and earned income taxes – have shown modest improvement since 2007. Total real estate and earned income tax collections increased from \$5.0 million in 2007 to \$5.3 million projected in 2010. However, most of the improvement from these sources has come from increased prior year collections. Current year collections have actually declined from \$4.8 million in 2007 to \$4.6 million projected in 2010. After taking into account the effect of the 2010 real estate millage rate reduction, real estate and earned income tax revenues are flat since 2007.



**Exhibit 1.5
General Fund and Debt Service Fund Revenues, 2003-2010**

	2003	2004	2005	2006	2007	Estimated 2008	Estimated 2009	Projected 2010
Real Estate Tax	1,277,710	1,338,201	1,345,590	2,402,667	2,500,402	2,587,582	2,629,685	2,440,000
Earned Income Tax	1,106,102	1,299,385	1,393,349	1,837,255	2,492,081	2,559,606	2,840,498	2,825,000
Real Estate Transfer Tax	452,363	662,904	613,796	651,675	544,110	342,267	243,638	837,088
Charges for Fees/Services	585,420	473,367	387,161	634,091	459,121	357,857	375,164	555,000
Intergovernmental Revenue	477,179	339,747	410,597	420,912	589,775	609,785	327,512	694,518
Fines and Forfeits	268,466	247,077	291,609	300,416	282,391	236,734	250,503	320,000
Licenses and Permits	150,241	155,849	141,251	217,104	173,659	321,390	245,002	243,000
Local Services Tax	22,163	13,877	14,203	74,277	107,624	82,060	93,804	94,000
Interest and Rents	5,320	3,265	28,121	23,189	60,893	28,089	17,593	45,000
Business Privilege Tax	19,068	23,577	20,670	30,933	28,824	29,090	43,186	45,000
Other Revenue	41,645	22,563	13,043	140,108	9,030	342,717	565,314	72,000
TOTAL	4,405,677	4,579,811	4,659,390	6,732,626	7,247,908	7,497,178	7,631,899	8,170,606



City Reserve Trust Fund

The City regularly transfers monies from the Trust Fund into the General Fund to cover operating expenses. However, this income is not technically a General Fund revenue source. In 2000, Coatesville established by ordinance the Trust Fund with approximately \$38 million in proceeds derived from the sale of the City of Coatesville Authority. The ordinance states that the Trust Fund's principal shall not be used except in the following cases:

- A. In the event that the City Council declares by resolution the existence of a state of emergency requiring the immediate need for funds from the City Reserve Trust Fund (it having been first established that there exists no other source for necessary funds and upon the certification by the Governor or some official third party of equal rank and authority that the declared state of emergency is existing as a result of a natural disaster or economic disaster), then, in the event of such a certified state of emergency, any funds withdrawn by the City Council from the principal of the City Reserve Trust Fund shall be repaid by the City as soon as practicable.
- B. If the City Council determines that the City Reserve Trust Fund principal needs to be invaded and passes an ordinance and a referendum thereon pursuant to the procedures for referenda and the necessary votes for the approval by a referendum of the citizens of the City of Coatesville are received at the next scheduled election.

The ordinance states that Trust Fund interest is available for use as part the City's annual General Fund budget revenue provided that some portion is designated for a Rainy Day Fund. The City's Rainy Day Fund is a capital reserve fund whose purpose is to develop monies for capital projects. In recent years, interest payments have been primarily used for operations at the expense of capital improvements.

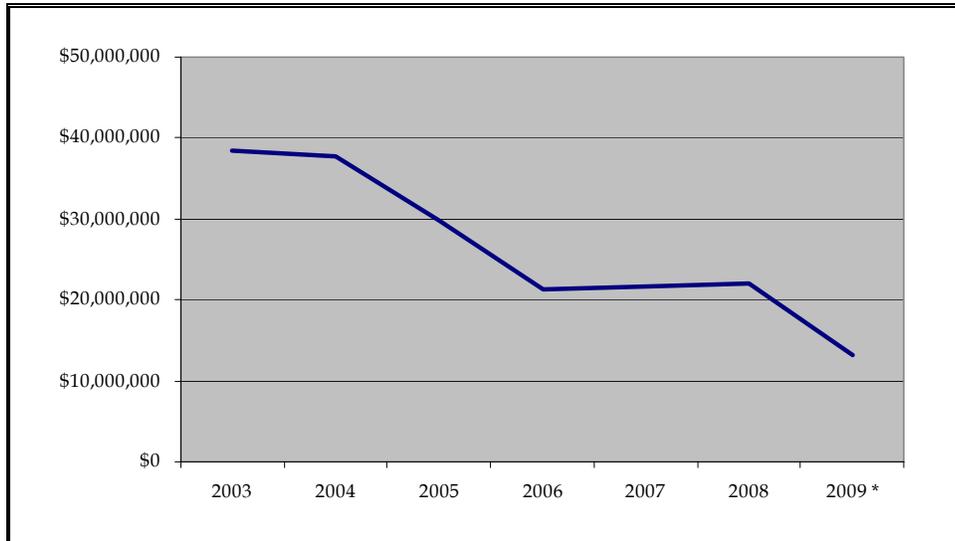
The Trust Fund balance has declined significantly since 2001, reducing the level of reserves available in case of emergency and limiting the fund's capacity to generate interest income for operations. The City made principal withdrawals from the fund in 2005, 2006, 2008, and again in 2009. By the end of 2009, the Trust Fund balance was just over \$13 million, a reduction of \$25 million from its opening balance in 2001. The fund, which produced \$2.6 million in interest in 2002, now only produces about \$600,000.

There are indications that City Council would favor replenishing the Trust Fund, per the Trust Fund policy requirements, however, there is no formal plan to restore the principal borrowed from the Trust Fund due to the City's financial position.

Exhibit 1.6 shows the ending year balances for the Trust Fund from 2001 to 2009.



**Exhibit 1.6
Reserve Trust Fund
Year-End Balances, 2001-2009**



Source: Independent Financial Audits and Finance Department records

* 2009 year-end fund balance is estimated

Operating Expenses

Exhibit 1.7 on the following page displays the distribution of the City’s projected 2010 operating expenses by major account. To remain consistent with the budget format used by the Finance Department, the table includes operating expense transfers; however, these transfers out are primarily capital expenditures that are supported with related transfers in from grants. The City’s actual General Fund operating expenses, which would include tax supported debt service, but exclude capital transfers, is \$8,932,719. References to total operating expenses in this chapter reflect this total of \$8,932,719.

The two largest expense categories are related to personnel costs: salaries and wages and employee benefits. Together, these categories account for 68 percent of all operating expenses, which is slightly higher than the 67 percent of expenses in 2007. According to records from the City’s Human Resource Department, the City employs five fewer full time equivalents in 2010 than when the 2008 Early Intervention report was completed and salary and wage expense has increased only 1 percent over that time period. Health insurance expense, however, has increased 23 percent since 2007. Local governments across the country are struggling to control health insurance costs as these expenses have grown far faster than the rate of inflation in recent years. In 2007, health insurance comprised 10 percent of operating expenses compared with 13 percent projected for 2010, a significant increase in such a short period of time.

The Police Department accounts for the 59 percent of total salary expense (including court time, longevity, and overtime). Salaries and benefits for the Police Department comprise



38 percent of total operating expenses. Historically, the Department has represented approximately 32 percent of operating expenses.

The majority of the City’s employees are represented by three unions: the Fraternal Order of Police (“FOP”), the International Association of Firefighters (“IAFF”), and the American Federation of State, County, and Municipal Employees (“AFSCME”). Labor contracts are negotiated between the unions and the City, and disagreements with the FOP and IAFF are resolved through binding arbitration.

The City’s contract with the FOP runs through 2010 and, as of this writing, the two parties had not reached a new agreement. The collective bargain agreement with the IAFF and AFSCME are effective through 2011 and 2010, respectively.

Contract services, which include costs for items such as legal, auditing, and engineering fees and special studies, were approximately \$928,000 in 2010 and represent close to 11 percent of operating expenses. The next highest expense is insurances, which is primarily comprised of property insurance and workers compensation. The City projects just over \$700,000 for these expenses in 2010.

**Exhibit 1.7
General Fund Expenses, 2010**

Category	Projected 2010	Pct of Total
Salaries and Wages	4,246,168	39.3%
Employee Benefits	1,857,630	17.2%
Contract Services	927,504	8.6%
Other Public Works	55,000	0.5%
Materials and Supplies	248,174	2.3%
Equipment and Maint.	183,000	1.7%
Utilities	151,300	1.4%
Communications	99,159	0.9%
Insurances	700,884	6.5%
Other Expenses	188,900	1.7%
Debt Service	275,000	2.5%
Transfers	1,869,176	17.3%
TOTAL	\$10,801,895	100.0%

Exhibit 1.8 shows the City’s operating expense history since 2003. Projected 2010 expenses (after subtracting transfers) are almost equal to 2007 operating expenses. Though salaries and health insurance expenses increased since 2007, the City’s projected 2010 pension payment is just \$349,000 compared to \$668,000 in 2007.

The City experienced significant savings in utilities costs since 2007 projecting to spend just \$151,300 in 2010 compared to \$173,753 in 2007. The City has also reduced spending for promotional programs by about \$40,000 since 2007. The City has controlled contract services, which were \$983,000 in 2007 and just \$927,504 in 2010.



**Exhibit 1.8
General Fund and Debt Service Fund Expenses, 2003-2010**

	2003	2004	2005	2006	2007	Estimated 2008	Estimated 2009	Projected 2010
Salaries and Wages	3,648,069	3,789,819	4,244,987	4,100,241	4,194,827	3,985,419	4,686,517	4,246,168
Employee Benefits	932,688	1,151,556	1,566,349	1,487,272	1,855,408	1,300,218	1,621,884	1,857,630
Prof/Contracted Services	780,594	923,723	1,281,136	1,136,431	982,968	1,020,800	976,013	927,504
Other Public Works	26,918	55,002	59,332	56,958	57,034	69,537	68,842	55,000
Materials and Supplies	284,698	265,226	269,809	281,021	250,682	342,407	197,824	248,174
Repairs, Equip and Maint.	145,614	91,240	76,428	88,618	46,226	61,182	87,561	183,000
Utilities	99,911	135,455	154,670	182,233	173,753	193,848	162,176	151,300
Communications	228,527	288,381	156,683	146,694	134,119	123,684	156,375	99,159
Insurances	447,350	690,837	752,693	494,966	597,078	733,730	805,535	700,884
Other Expenses	436,892	409,193	442,336	350,638	366,160	293,555	315,360	188,900
Debt Service	787,063	791,057	1,001,687	7,046,508	277,120	275,000	275,000	275,000
Transfers							7,303,734	1,869,176
TOTAL	7,818,323	8,591,489	10,006,110	15,371,580	8,935,374	8,399,380	16,656,821	10,801,895



Pension

In Exhibit 1.9 below is a summary of the more recent information available for the City’s pension funds. As of January 1, 2009, the three pension funds had a combined total of 157 participants, representing active and terminated employees, retirees, disabled employees, and beneficiaries. The Police Pension Fund shows liabilities in excess of assets of \$447,741 for a funded ratio of 94.6 percent. The Firemen’s and Non-Uniformed Employees Pension Funds have unfunded actuarially accrued liabilities of \$344,393 (or a funded ratio of only 27.9 percent) and \$358,835 (or a funded ratio of 72 percent), respectively.

**Exhibit 1.9
Summary of Pension Fund Statistics as of 1/1/09**

	Police	Fire	Non-uniformed employees
Participants			
Active employees	30	3	43
Retirees, disabled and beneficiaries	21	0	19
Terminated employees	1	0	40
	52	3	102
Actuarial Value of Assets	\$7,810,524	\$133,140	\$924,535
Actuarially Accrued Liability	\$8,258,265	\$477,533	\$1,283,370
Unfunded Actuarially Accrued Liability	\$447,741	\$344,393	\$358,835
Funded Ratio	94.6%	27.9%	72.0%
Covered Payroll	\$1,487,807	\$153,317	\$1,466,412
Unfunded AAL as a % of Covered Payroll	30.1%	224.6%	24.5%

Source: Police Pension Fund Actuarial Valuation, Firemen’s Pension Fund Actuarial Valuation, and Retirement Income Plan Actuarial Valuation

The funded ratio of 27.9 percent for the Firemen’s Pension Fund is actually an improvement over its 13 percent funded ratio in 2007. Non-Uniformed Pension Fund assets covered 72 percent of its fund’s accrued liability.



Other Post Employment Liability

The City’s Other Post Employment Liability was not calculated as part of its 2008 independent financial audit, but should be included in the 2009 audit. According to the City’s contract with the Fraternal Order of Police, officers retiring after January 1, 2002 are entitled to a \$100 per month post-retirement benefit for health care beginning at age 55. Officers retiring after January 1, 2007 are entitled to a \$200 per month benefit for health care beginning at age 55 and ending at age 65. The City’s agreement with the IAFF makes no mention of post-retirement health benefits. The City is not obligated to provide AFSCME employees with post-retirement health benefits; however, those employees may opt to participate in the City’s plan at their own cost.

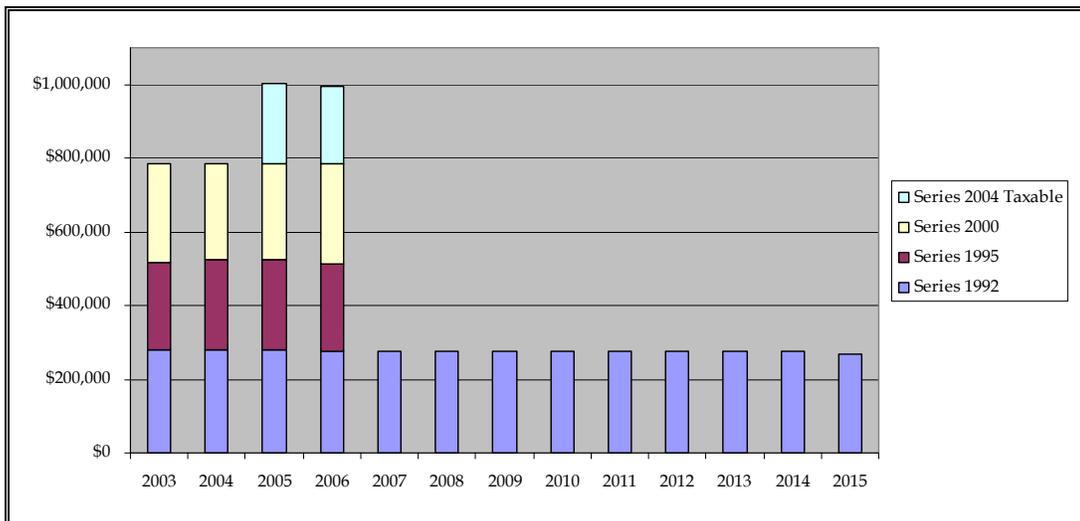
Debt Service

Debt service costs include principal and interest payments due on all outstanding short-term and long-term debt. The City has not issued new debt since the first Early Intervention report in 2008. From 2003 through 2005, debt service averaged almost 10 percent of operating expenses, amounting to just over \$1.0 million in 2005. In 2006, the City used proceeds from the Trust Fund to retire all outstanding debt except for the Series of 1992 General Obligation Bonds.

The Series of 1992 Bonds were issued to refinance previously outstanding debt. The bonds are non-callable Capital Appreciation Bonds with yields between 6.70 and 6.75 percent from 2010 through maturity in 2017. Annual debt service on the bonds is \$275,000 from 2010 through 2014 and \$270,000 in 2015.

Exhibit 1.10 shows historic and future debt service obligations. As previously noted, the City retired all callable debt with Trust Fund proceeds. While the withdrawal significantly lowered the Trust Fund balance, it also reduced the City’s future annual debt service obligations.

**Exhibit 1.10
Historical and Projected Debt Service, 2003-2015**



Source: Coatesville Finance Department
Econsult/Fairmount Group
Chapter One



Not shown in the exhibit above are obligations associated with the Redevelopment Authority of the City of Coatesville (the "RDA"). The RDA had drawn the \$7 million maximum on its line of credit. Though the RDA drew on the proceeds from the line of credit, it was guaranteed by the City in the event of default. The City tried to refinance the line of credit in 2009, but was unsuccessful and withdrew funds from the Trust Fund to make repayment

Unfortunately, the City's financial position has not shown considerable improvement since 2008. Though administrators have implemented some cost cutting measures and enhanced certain revenues, severe budgetary structural imbalance combined with the arsons of 2008 and 2009 and a weak economy has offset recent budgetary gains. As described above, the City's finances have been suffering from stagnant revenues, while expenses continue to grow. Personnel related expenses are the primary expense driver and as long as the costs of salaries and benefits continue to rise, there will be pressure on City expenses.

In the past several years, the gap between revenues and expenditures was covered largely through nonrecurring actions, such as asset sales and principal transfers from the City's Trust Fund, which masked the growing structural imbalance of core operations. Correcting the City's imbalance must include a combination of cost cutting and revenue enhancing initiatives. Ignoring the imbalance will compound the City's financial challenges, leaving Coatesville in an even more unfavorable position in the future.





Chapter Two

Baseline Financial Forecast

Overview

This chapter estimates Coatesville’s ongoing operating deficits should it maintain current operating procedures with no significant expense reductions or growth in the tax base. The projections presented here establish a baseline operating forecast, which shows recurring structural deficits; that is, the growth rate of expenses exceeds that of revenues. This baseline forecast may be used to measure the level of corrective measures required to eliminate future deficits and achieve and maintain balanced budgets.

The first section of this chapter discusses the draft budget for 2011. The Plan then outlines forecast assumptions used to project the baseline operating results through 2015.

2011 Baseline

The forecast includes General Fund and Debt Service Fund revenue and expense projections. Debt service is incorporated as an operating expense because it is supported by General Fund revenues and has a direct bearing on the City’s financial operating position. Exhibit 2.1 on the following page compares the draft 2011 budgeted revenues with 2010 projected revenues by major category of Coatesville’s General and Debt Service Funds. The 2010 projections are based on the City Manager’s budget (adjusted mid-year), input from Coatesville’s Finance Director, and analysis of the City’s financial trends. Similar to the 2008 report, the first year projected results are the basis for the baseline used for future year projections.

The City’s draft 2011 revenue budget shows increases in real estate taxes based on improved collections in delinquencies. Current year real estate tax revenues are budgeted to be \$2.18 million (same as 2010), while prior year taxes are budgeted to increase from \$225,000 to \$280,000. The City budgets \$2.8 million in earned income taxes, slightly less than 2010 projections. Budgeted real estate transfer tax revenue of \$300,000 is in line with past performance; however, it is significantly lower than 2010 performance. As described in Chapter 1, the City realized a significant one-time revenue of \$507,000 with the late 2010 sale of an apartment complex. The City expects this revenue source to revert to the historic trend in 2011.

The City budgets significant increases in charges for fees and services and fines and forfeits in 2011. Coatesville is hiring a new building inspector and implementing a Solid Waste Education and Enforcement Program (“SWEEP”), which the City anticipates will generate increased revenues to the General Fund.



**Exhibit 2.1
2011 Revenue Projection**

Category	Proj 2010	Budget 2011	Pct Chng
Real Estate Taxes	2,440,000	2,508,000	2.8%
Earned Income Tax	2,825,000	2,800,000	-0.9%
Real Estate Transfer Tax	837,088	300,000	-64.2%
Charges for Fees/Services	555,000	586,200	5.6%
Intergovernmental Revenue	694,518	651,118	-6.2%
Fines and Forfeits	320,000	395,000	23.4%
Licenses and Permits	243,000	260,500	7.2%
Local Services Tax	94,000	100,000	6.4%
Interest and Rents	45,000	35,000	-22.2%
Business Privilege Tax	45,000	45,000	0.0%
Other Revenue	72,000	55,400	-23.1%
TOTAL	8,170,606	7,736,218	-5.3%

As illustrated in Exhibit 2.2 on the following page, draft 2011 operating expenses (after Econsult/Fairmount Group adjustments) total \$9.1 million, a 1.6 percent increase over 2010. Econsult/Fairmount Group has made adjustments to the 2011 draft budget to account for the risk that some budgeted expenses may exceed expectations. Adjustments to develop the baseline include increasing the 2011 overtime expense to \$325,000 from \$149,100. While the City is implementing some measures to reduce overtime, it is uncertain that these actions will produce the desired results. Overtime expense has averaged \$330,000 from 2003 through 2009. Though some 2011 overtime expense will be reimbursed, the City does not expect reimbursements to increase significantly over 2010 levels.

The Econsult/Fairmount Group increased property insurance expense in 2011 to \$200,000 from \$147,000. Property insurance expenses were \$259,000 in 2010 and averaged even more than that from 2003 through 2009.

The Econsult/Fairmount Group increased the City's pension expense to \$350,000 to match the level of state pension aid budgeted for 2010. In the draft budget, pension aid from the state is \$350,000 while pension expense is \$282,972. The Finance Department was uncomfortable with the level of pension aid received from the state exceeding the amount paid into the pension funds by the City.



**Exhibit 2.2
2011 Expense Projection**

Category	Proj 2010	Budget 2011	Pct Chng
Salaries and Wages	4,246,168	4,461,419	5.1%
Employee Benefits	1,857,630	1,936,303	4.2%
Contract Services	927,504	695,978	-25.0%
Other Public Works	55,000	42,000	-23.6%
Materials and Supplies	248,174	278,950	12.4%
Equipment and Maint.	183,000	393,850	115.2%
Utilities	151,300	129,375	-14.5%
Communications	99,159	122,900	23.9%
Insurances	700,884	612,527	-12.6%
Other Expenses	188,900	130,509	-30.9%
Debt Service	275,000	275,000	0.0%
TOTAL	\$8,932,719	\$9,078,811	1.6%

After adjusting for the increase in overtime, salary and wage costs are budgeted to increase 5.1 percent over 2010 projections. It should be noted, however, that the 2010 overtime expenses in the most recent City Manager’s budget is just \$157,800, though overtime expenses had well exceeded \$200,000 by October of 2010. Moreover, in 2011 the City is adding employees in the Public Works and Codes Departments to fill long-standing vacancies. With these new positions, the total employee head count will be two less than in 2008. Employee benefits are budgeted to increase 4.2 percent over 2010 levels, though the City’s health insurance and other insurance rates are still uncertain.

Contract services are projected to decline significantly due to decreases in special legal services and auditing expenses. The materials and supplies budget increased 12.4 percent with a surge in snow materials for 2011. Equipment and maintenance expenses rose substantially in 2011 because certain expense items, such as “contributions to maintenance and repairs,” were moved to the equipment and maintenance expense category. “Other expenses” and Liquid Fuels transfers declined as a result of this accounting change.

The City budgets a communications expense increase in 2011 with the expansion of promotional programs. Insurance expense was unusually high in 2010 and declined in 2011 with a reduction in property insurance costs (even after the Econsult/Fairmount Group adjustment).

The budget is balanced on the strength of fund balance remaining from the one-time real estate transfer revenue associated with the sale of the Millview Apartments in late 2010. Other financing sources include Liquid Fuels, transfers from the Solid Waste Fund, and Trust Fund interest earnings. The City is also budgeting \$100,000 in revenue from an asset sale, though the price and timing of the sale are uncertain at the time of this writing.



Forecast Assumptions

The forecast of financial results is based on reasonable growth expectations of the City’s revenues and expenses. The forecast assumes no corrective actions are taken to eliminate the City’s structural deficit and does not include revenues expected from unsecured economic development initiatives. This provides an estimate of the full operating gap that must be eliminated in each future year given current conditions.

Revenues

Exhibit 2.3 shows a summary of key revenue growth rate assumptions followed by further explanation and justification below.

**Exhibit 2.3
Key Revenue Growth Rate Assumptions, 2012-2015**

	2012	2013	2014	2015
Real Estate Taxes	0% assessment incr, flat collection rate			
Earned Income Tax	CPI	CPI	CPI	CPI
Local Services Tax	CPI	CPI	CPI	CPI
Business Privilege Tax	CPI	CPI	CPI	CPI
Real Estate Transfer Tax	0.0%	CPI	CPI	CPI
Licenses and Permits	3.0%	3.0%	3.0%	3.0%
Fines	0.0%	0.0%	0.0%	0.0%
Charges for Fees/Services	0.0%	0.0%	0.0%	0.0%
Intergovernmental Revenue	0.0%	0.0%	0.0%	0.0%
Interest Earnings	0.0%	0.0%	0.0%	0.0%
Other Revenue	0.0%	0.0%	0.0%	0.0%

Real Estate Tax: Taxable real estate assessment values in Coatesville are somewhat lower in 2010 than 2008; however, the City’s collection rates on current levies have increased slightly. The baseline forecast assumes that assessment values will show no growth and the collection and millage rates will remain the same.

Act 511 Taxes: Earned income tax revenues represent the vast majority of Act 511 tax collections. EIT revenues have increased steadily and the baseline forecast projects inflationary increases into the future, the same projection as the 2008 report. Likewise, growth in LST and BPT is projected to equal the change in the Consumer Price Index through 2015.

Real Estate Transfer Tax: The City realized a significant one-time surge in real estate transfer taxes in late 2010 with the sale of an apartment complex; however, accounting for a sluggish real estate market, the forecast predicts no growth in this source through 2012 and inflationary growth thereafter.



Charges for Fees and Services: The City projects \$555,000 from this revenue source in 2010, which is up from its average of \$486,000 in recent years. The projections assume that charges for fees and services maintain the increased receipts with no growth through 2015.

Intergovernmental Revenues: The Finance Department now includes Commonwealth pension fund support as part of intergovernmental revenues. In the past, the City had netted out the state support from the expenses and showed only the net expense. Thus, intergovernmental revenue amounts are higher in this update compared to the 2008 report. The projections assume flat growth from this source through 2015.

Licenses and Permits: Though the growth from these revenues was flat from 2009 to 2010, since 2003 annual license and permit revenue growth has averaged 3 percent, which is what is projected in the baseline forecast.

Fines and Forfeits: Fine and forfeit revenue increased significantly from 2009 to 2010 due to an increase in parking fines. This revenue source is projected to plateau with zero growth going forward.

Expenses

Exhibit 2.4 shows a summary of key expense growth rate assumptions followed by further explanation and justification.

**Exhibit 2.4
Key Expense Growth Rate Assumptions, 2012-2015**

	2012	2013	2014	2015
Salaries and Wages				
Police	3.0%	3.0%	3.0%	3.0%
Fire	3.0%	3.0%	3.0%	3.0%
AFSCME	\$0.75/hr	\$0.75/hr	\$0.75/hr	\$0.75/hr
Other	3.0%	3.0%	3.0%	3.0%
Overtime *	3.0%	3.0%	3.0%	3.0%
Employee Benefits				
Health Insurance	10.0%	10.0%	10.0%	10.0%
Materials and Supplies				
Fuel	4.0%	4.0%	4.0%	4.0%
Other Mat & Sup	CPI	CPI	CPI	CPI
Utilities	CPI	CPI	CPI	CPI
Insurances *	CPI	CPI	CPI	CPI
Debt Service	Fixed	Fixed	Fixed	Fixed

* Indicates that adjustments were made to reflect a one-time revenue or expense occurrence



Salaries and Wages: Like in the 2008 report, salary and wage projections are consistent with the terms of existing collective bargaining contracts. In the years not covered by contracts, 3 percent salary increases are projected.

It should be noted that the draft 2011 budget does not include salary increases for any employees with the exception of the firefighters. As of this writing, the City and the FOP had not agreed to a new collective bargaining agreement and an arbitration award is still pending. The City had also not reached an agreement with AFSCME union employees even though the current contract expires at the end of 2010.

Health Insurance: From 2003 through 2010, the average annual increase in health benefits was 9.6 percent. Our baseline forecast assumes 10 percent annual growth.

Pension: Commonwealth law requires all municipalities, including Coatesville, to make annual contributions to the pension funds based on a calculation of Minimum Municipal Obligation. The baseline forecast assumes that pension contribution increases will equal the average salary rate increases of the employees.

Other Benefits: Most other employee benefits are assumed to grow equal to the rate of inflation. Benefits such as FICA are assumed to match employee wage increases.

Contract Services and Equipment and Maintenance: The projections assume that the level of contract services and equipment and maintenance used by the City remains constant and that these costs increase at the rate of inflation.

Materials and Supplies: The City has been successful in controlling its Materials and Supplies costs in recent years with average annual growth of 2.9 percent from 2003-2010. Most materials and supplies costs are assumed to grow at the rate of inflation, however, vehicle fuel is assumed to increase 4.0 percent per year. This is down slightly from the 2008 projected growth rate of 7.5 percent. Since that time, oil prices have stabilized and a lower growth rate is defensible.

Utilities: Though the City's utilities expenses have increased only 1.8 percent per year since 2003. The baseline forecast projects inflationary growth into the future.

Other Expenses: These costs are projected to increase at the rate of inflation.

Debt Service: Debt service obligations are fixed, which is reflected in the forecasts.



Baseline Operating Forecast

The forecast of baseline operating financial results through 2015 are presented in Exhibit 2.5. This exhibit forecasts the major categories of revenues and expenses.

**Exhibit 2.5
Baseline Forecast of Operating Results**

	2011	2012	2013	2014	2015
Real Estate Taxes	2,508,000	2,508,000	2,508,000	2,508,000	2,508,000
Earned Income Tax	2,800,000	2,861,600	2,924,555	2,988,895	3,054,651
Local Services Tax	100,000	102,200	104,448	106,746	109,095
Business Privilege Tax	45,000	45,990	47,002	48,036	49,093
Real Estate Transfer Tax	300,000	300,000	306,600	313,345	320,239
Licenses and Permits	260,500	268,315	276,364	284,655	293,195
Fines	395,000	395,000	395,000	395,000	395,000
Charges for Fees/Services	586,200	586,200	586,200	586,200	586,200
Intergovernmental Revenue	651,118	658,818	666,687	674,730	682,949
Interest Earnings	35,000	35,000	35,000	35,000	35,000
Other Revenue	55,400	55,400	55,400	55,400	55,400
TOTAL	7,736,218	7,816,523	7,905,257	7,996,008	8,088,822
Year to year change		1.0%	1.1%	1.1%	1.2%
Salaries and Wages	4,461,419	4,595,262	4,733,119	4,875,113	5,021,366
Employee Benefits	1,936,303	2,067,568	2,210,181	2,365,223	2,533,886
Professional/Contracted Services	695,978	711,290	726,938	742,931	759,275
Other Public Works	42,000	42,924	43,868	44,833	45,820
Materials and Supplies	278,950	286,479	294,230	302,209	310,423
Repairs, Equip, and Maint.	393,850	402,515	411,370	420,420	429,669
Utilities	129,375	132,221	135,130	138,103	141,141
Communications	122,900	125,604	128,367	131,191	134,077
Insurances	612,527	626,003	639,775	653,850	668,234
Other Expenses	130,509	133,380	136,315	139,313	142,378
Debt Service	275,000	275,000	275,000	275,000	270,000
TOTAL	9,078,811	9,398,245	9,734,292	10,088,186	10,456,272
Year to year change		3.5%	3.6%	3.6%	3.6%
SURPLUS (DEFICIT)	(1,342,593)	(1,581,722)	(1,829,035)	(2,092,178)	(2,367,450)

The forecast (which does not include transfers such as Trust Fund interest earnings) shows an operating loss of \$1.3 million in 2011 and, with expense growth exceeding that of revenues, a worsening position through 2015. Without corrective action the deficit before transfers is projected to grow to almost \$2.4 million in 2015.



Exhibit 2.6 shows the resulting fund balance changes from 2011 through 2015. The transfers include the proceeds from the Solid Waste fund, interest earnings from the Trust Fund, and other transfers such as liquid fuels funds. The year-end fund balances also assume that the City does not make any incremental contributions to capital improvements out of the General Fund. In 2011, fund balance is a projected positive \$261,000 on the support of the one-time real estate transfer revenue from the sale of the Millview Apartments in late 2010.

The City’s fund balance change is projected to worsen with a negative \$1.4 million projected change in 2015. Since fund balance is cumulative, this would produce a negative ending fund balance position of approximately negative \$3.7 million.

**Exhibit 2.6
Fund Balance Projection, 2011-2015**

	2011	2012	2013	2014	2015
Total Revenues	7,736,218	7,816,523	7,905,257	7,996,008	8,088,822
Total Expenditures	9,078,811	9,398,245	9,734,292	10,088,186	10,456,272
Operating Surplus (Deficit)	(1,342,593)	(1,581,722)	(1,829,035)	(2,092,178)	(2,367,450)
Transfers In					
Reserve Trust Interest Earnings	600,000	600,000	600,000	600,000	600,000
Solid Waste Fund	300,000	300,000	300,000	300,000	300,000
Other Transfers	340,000	185,000	185,000	185,000	185,000
Transfers Out					
Capital Transfer	(93,925)	(100,000)	(100,000)	(100,000)	(100,000)
Net Other Financing Sources	1,146,075	985,000	985,000	985,000	985,000
Net Change in Fund Balance	(196,518)	(596,722)	(844,035)	(1,107,178)	(1,382,450)
Beginning Fund Balance	457,772	261,254	(335,468)	(1,179,503)	(2,286,682)
Ending Fund Balance	261,254	(335,468)	(1,179,503)	(2,286,682)	(3,669,132)

Conclusion

Similar to the projections in the 2008 report, the baseline forecasts show a deteriorating financial position on both cash and accrual bases. The City has nearly exhausted its non-recurring revenue opportunities to balance budgets in the short-term. Repeated principal withdrawals from the Trust Fund have decimated its capacity to generate interest earnings for operations and capital improvement. The Trust Fund, which at one time produced \$2.6 million in interest earnings, now generates just \$600,000. Without significant corrective action, expenses will rise while revenues stagnate, which will exacerbate the budgetary structural imbalance.



Chapter Three

Recommendation Update and Gap Closing Measures

Overview

In 2008, the City of Coatesville engaged Fairmount Capital Advisors to assist the City in developing a comprehensive long-range plan as part of the Commonwealth's Early Intervention Program. The purpose of the program was to establish short-term and long-term financial and management objectives and initiatives that strengthen the fiscal capacity of local governments and integrate long-term community and economic development strategies that strengthen the local tax base.

The 2008 report included management audits of several key City departments – Police, Fire, Finance, Public Works, and Codes. Fairmount made recommendations for each department to enhance revenues, reduce costs, and improve overall operational efficiency. The report proposed an assigned leader for each recommendation along with a target timeframe for completion.

This chapter provides a status update of those recommendations. Each department head was asked to provide a written update on the implementation status of each recommendation. Fairmount followed up with department heads where clarification was needed and recommended further action where appropriate. Since there was turnover at the City Manager position since the 2008 report was delivered, the Econsult/Fairmount Group did its best to determine the City's progress in completing the recommendations intended for the Administration staff. A summary of the new recommendations is found at the end of this chapter.



Recommendations

Administration

Status of 2008 Recommendations

ADM01	Establish Savings Targets to Be Achieved Through Collective Bargaining
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Personnel costs are the largest and most influential component of Coatesville’s budget. Salaries, wages, and benefits comprised 66 percent of the City’s operating expenses in 2007. If the City is to achieve budgetary structural balance, controlling personnel costs is paramount.

The 2008 plan recommended that the City establish cost savings targets to be achieved through collective bargaining. The plan recommended that the City target salaries and wages, health insurance, and other benefits to achieve savings in future years. The plan estimated savings that may be achieved in comparison to the baseline financial forecast, that is, the financial forecast that does not include corrective measures. The plan set the goal of achieving a gradually increasing level of savings starting with \$50,000 in 2009 and rising to \$350,000 by 2013.

Status: The City’s contracts with the FOP and IAFF run through 2010 and 2011, respectively. According to the then City Manager, the administration approached the unions about reopening the contracts after the 2008 report was delivered, however, the unions refused. Non-represented exempt employees did not receive raises in 2009 and 2010 and raises are not budgeted for 2011. No employee (represented or non-represented) shares in the cost of health insurance premiums with the City and no changes to employee benefits have been implemented since 2008.

ADM02	Recover Health Insurance Reimbursement Per Collective Bargaining Agreements
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The collective bargaining agreement with AFSCME in place in 2008 stated that the City would provide health insurance for the entire life of the contract (January 1, 2005 – December 31, 2009) and pay 100 percent of the premium for the years 2005 and 2006. Effective year 2007, the City would pay for an increase of 5 percent in years 2007, 2008, and 2009 of the agreement totaling 15 percent in the aggregate. Beginning January 1, 2007, the employees would be responsible for any cost over the 2006 premium plus the 5 percent increase with a cost not to exceed 50 percent of a monthly premium during the term of the agreement.

Similarly, the City’s contract with the IAFF states that the City will pay the premium for health insurance for the year 2005 in addition to an increase over the life of the agreement totaling 40 percent in the aggregate. The Firefighters will be responsible for any cost over the 2005 premium plus the 5 percent increase annually during the term of the agreement.



The City currently does not recoup any health insurance benefits costs from AFSCME or IAFF employees as outlined in the contracts. The City should calculate annually the amount owed to the City from its employees for health insurance premiums and take steps to collect those funds.

The City should seek clarification from its solicitor regarding the specific terms of employee contribution to health insurance premiums. Though the language in the contract states that, in applicable years, AFSCME and IAFF employees must cover any health insurance costs above a 5 percent annual premium increase, the contract also states that the City is responsible to pay an aggregate premium increase of 15 percent for AFSCME and 40 percent for the IAFF over the terms of their respective agreements. Since health insurance premiums may increase by more than 5 percent in any given year, but still not exceed 15 percent or 40 percent increases in the aggregate, it is not clear that employees are required to contribute to the cost of the premiums. The City should clarify this issue and seek the appropriate reimbursement.

Status: According to the Finance Department, no employee, represented or non-represented, shares in the cost of health insurance premiums.

ADM03 Consider a Third-Party for Delinquent Real Estate Tax Collections

At the time of the writing of the 2008 plan, the City’s current real estate tax collection rate was just 88 percent - below the target rate of 95-98 percent achieved in other municipalities. The Plan recommended that the City consider strategies to improve the collection rate including hiring a third-party to assist in collections.

Status: While the City does not use a third-party for delinquent real estate tax collections, Finance Department records show improved prior year real estate collections. From 2003 through 2008, the City averaged \$200,000 in annual delinquent real estate tax collections. In 2009, the City collected \$267,000 in delinquent real estate tax revenues and projects \$225,000 for 2010. The City’s Finance Director attributes the increased delinquent tax collections to more accurate and diligent record keeping and better organization.

ADM04 Regularly Adjust Fees to Recover Cost of Services

The City should set fee levels with the goal of recovering the cost of providing services. With this in mind, Coatesville should regularly adjust fees to reflect inflationary increases.

Status: Charges for service and fee revenue increased from \$357,000 in 2008 to \$375,000 in 2009 and the City projects much higher receipts from this source in 2011. Most of the incremental revenue is a result of adding a parking enforcement officer and refocusing efforts on items such as drug task force revenues. Fee levels are generally the same as they were in 2008 and have not been adjusted to reflect the cost of service, though inflation has been very low over this period.



ADM05 Pursue Payment-In-Lieu-Of-Tax Payments (“PILOT”) Agreements with Major Tax Exempt Institutions and Agencies

Major tax-exempt institutions should be required to enter into fair and equitable PILOT agreements with the City. Prior PILOT Agreements need to be updated to reflect current costs. Negotiating the implementation of these initiatives will require a cooperative effort between the City and the operators of the organizations located on the tax-exempt properties.

Status: Coatesville has not experienced any incremental gains in PILOT revenue. Though the City provides services to tax-exempt entities, non-profit organizations are also feeling the financial ramifications of the global economic malaise. Coatesville should still continue to pursue PILOT arrangements with the appropriate organizations; however, the City cannot expect much new revenue from this initiative.

ADM06 Reduce Non-uniformed FTEs by Two

A comparison of full-time employees in Coatesville compared to other municipalities revealed that the City employs a relatively high number of workers compared to its peers. The plan proposed that the City reduce its fulltime, non-uniformed staff in 2009 by two through either attrition or reorganization. Even after these reductions, the City would still have a lower resident-to-full-time-employee ratio than the average for other third-class cities.

Status: According to human resources records, the City has five fewer full-time employees today compared to 2008. The Police Department has two fewer employees while non-uniformed staff has been reduced by three. In 2011, the City plans on hiring a Public Works employee, which would bring the total number of Public Works employees to seven. Seven employees would still be one less than the number of employees in the Department when the first Early Intervention report was completed in 2008 and four less than the total in 2004.

The City also plans on hiring a building inspector for the Codes Department. Currently, the Codes Director performs all building inspections because other inspectors in the Department do not have the proper certifications. In addition to a lack of certifications, the Department does not have the manpower to do proactive enforcement. The additional building inspector would address quality of life issues that are a key concern of residents and business owners while at the same time generate revenues to partially offset new salary and benefits costs.



ADM07 Reevaluate Public Relations Responsibilities

In an effort to enhance Coatesville’s image and improve community relations, the City hired a public relations specialist. While an improved image is important to attracting business investment and spurring economic growth, the City’s current financial situation does not allow for a position dedicated solely to public relations. Moreover, a city of Coatesville’s size usually relies on top municipal managers to lead communications and public relations efforts and, for extreme situations, outside specialists. If a Public Relations position is maintained, the plan recommended that the position’s responsibilities be expanded to assist the City in other ways.

Status: The City still employs a public relations specialist. The public relations specialist position is included in the 2011 budget.

ADM08 Consider a Parking Lot Tax in the Future as Part of the City’s Parking Strategy

In 2008, the City considered a new “parking strategy,” which would provide greater access to the City’s business district in the hope of spurring economic activity. This initiative would increase the number of public parking spaces in the City from 63 to 268. The new spaces would be spread out among six locations in the City and would involve paving over several properties owned by the Coatesville Redevelopment Authority.

The plan recommended that the City should consider a Parking Lot Tax as the parking strategy progresses. The Parking Lot Tax would represent a new revenue source for the City as it struggles to reach structural balance in the budget. Of course, the City would have to weigh the benefits of this tax (revenues to the General Fund) against the negative implications for economic development.

Status: The City has not implemented a Parking Lot Tax; however, the City has rehired a parking enforcement officer that has generated new revenues and enforced compliance with parking rules in Coatesville. Though other third class cities in Pennsylvania have instituted a Parking Tax with minimal negative repercussions to economic and business development, the new tax is not under consideration at this time.

ADM09 Implement Formal Capital Improvement Plan

As Coatesville’s financial position has weakened, the City has failed to meet the challenge of adequately funding this critical aspect of municipal government. In 2000, the City established a Rainy Day Reserve Fund for the purposes of financing capital projects. The fund was supported with interest earnings from the Trust Fund after the sale of the City of Coatesville Authority. As operating deficits grew, monies were diverted from the Rainy



Day Reserve Fund to operating purposes, leaving planned capital improvements unfunded.

It was no surprise that interviews with departmental personnel revealed deferred maintenance concerns as well as the lack of a robust City-wide capital planning process to identify and prioritize capital needs. The plan recommended that the administration implement a basic Capital Improvement Planning process that the City can build on in the future as its financial outlook and investment opportunities improve.

Status: The City has developed a five-year capital improvement program; however, funding this program remains a problem. Coatesville’s five-year capital improvement program planned for improvements in the Public Works, Fire, and Police Departments funded by the General Fund. The plan also identified improvements to City Hall and the Parks Department. The total estimated amount of capital improvements funded from General Fund sources for 2011 was well over \$700,000; however, the draft 2011 budget includes just \$94,000 because of financial concerns.

New Recommended Action:

Initiative	ADM10	Establish Personnel Cost Savings Targets			
Responsible Party	City Manager and Finance Director				
Budgetary Impact	2011	2012	2013	2014	2015
	60,000	275,000	400,000	525,000	650,000
Target Completion	2011 through 2015				

Personnel costs are still the most influential component of Coatesville’s budget. Salaries, wages, and benefits comprised 68 percent of operating expenses in the City’s preliminary 2011 budget. If the City is to achieve budgetary structural balance, controlling personnel costs is paramount.

The 2008 plan recommended that the City establish cost savings targets to be achieved through collective bargaining. The plan recommended that the City target salaries and wages, health insurance, and other benefits to achieve savings in future years. The plan estimated savings that may be achieved in comparison to the baseline financial forecast, that is, the financial forecast that does not include corrective measures. The plan set the goal of achieving a gradually increasing level of savings starting with \$50,000 in 2009 and rising to \$350,000 by 2013.

This updated plan revisits those goals and sets new targets. The City should set the goal of achieving \$60,000 in personnel cost savings in 2011, gradually rising to \$650,000 in savings by 2015. The baseline forecast assumes annual salary increases of 3 percent and annual health benefit increases of 10 percent. One way to achieve the cost savings goals is



for salary increases not to exceed 1 percent annually and achieve a 15 percent reduction in health insurance costs.

One percent pay increases are near inflationary levels over the last two years. While inflation will likely return to historic levels (this report assumes CPI changes of 2.2 percent through 2015), union employees have received wage increases in recent years that have far exceeded inflation. In 2009 and 2010, the FOP and IAFF received 4 percent salary increases, though inflation was in-between 0 and 1 percent¹.

The 15 percent reduction in health benefits costs could be reached through plan restructuring, increase in co-pays, and employee contributions to premiums. Currently, employees do not contribute towards the cost of health insurance premiums. The City should investigate the potential savings from changing insurance plans, which, along with employee contributions towards premiums and altered co-pays, would produce the targeted level of savings.

While these cost savings measures may seem aggressive, they are achievable and essential to reaching structural budgetary balance. While the City obviously cannot impose these cost savings measures unilaterally and must bargain with its unions to make these changes, other cities in Pennsylvania and other states have made some progress in bringing benefit costs under control.

Initiative	ADM11	Implement Salary and Benefits Cost Control Measures for Non-represented Personnel				
Responsible Party	City Manager					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	First Quarter, 2011					

In order to gain city-wide participation in employee benefit cost sharing, the City must first require non-represented employees to participate. Union employees are unlikely to accept any concessions related to employee benefits until those requirements are first asked of non-union employees (and the same conditions would apply to any benefit savings awarded by an arbitrator). Non-union employees have not received salary increases in three years, while union employees have received salary increases that have exceeded inflation. New contributions to health insurance premiums coupled with a no salary increase would mean that net pay for non-union employees would actually decrease year over year. The City may consider some wage increase and benefits plan that would achieve the savings targets outlined in this plan, but also take into account the sacrifices already made by the non-union employees.

¹ Source: Bureau of Labor Statistics



Initiative	ADM12	Gradually Return Real Estate Tax Millage Rate to 2009 Level			
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	-	121,043	242,086	242,086	242,086
Target Completion	First Quarter 2012				

In 2010, Coatesville lowered its real estate tax millage rate from 9.905 to 8.915 mills, a 10 percent reduction. The City’s tax rates, which are the highest in Chester County and among the highest in southeast Pennsylvania, are a deterrent to attracting new investment and residents that would help build the City’s tax and revenue base. The tax reduction was a strategic move to enhance the City’s regional competitiveness and reverse the trend of economic decline.

While we acknowledge the City’s desire to relieve the tax burden on its citizens and make Coatesville a more attractive destination for businesses and residents by lowering tax rates, the City must also be mindful of how recurring deficits, inadequate service delivery, and financial instability harm economic development efforts. Revenue losses associated with lower tax rates must be offset with corresponding recurring reductions in expenditures. Unfortunately, the rate of City expense growth exceeds that of revenues, as described in the previous chapters, making tax rate reductions very challenging.

The City should consider gradual increases in the real estate millage rate until it returns to 2009 levels. While tax rate increases may be counterproductive to economic development efforts, Coatesville must stabilize its financial position without undermining its ability to provide basic services.

This report recommends that the City maintain its existing real estate tax millage rate through 2011 and then reassess its financial position to determine if further tax rate increases are necessary. If the financial position has improved and other gap closing measures recommended in this report produce anticipated results, rate increases may be avoided or minimized.

Initiative	ADM13	Preserve Trust Fund Principal			
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	Ongoing				

As noted in Chapter One, the Trust Fund balance is approximately \$13.4 million, down from almost \$40 million when the fund was first established. As the principal balance of



the Trust Fund declined, so did interest earnings available to fund operations. In the past, the Trust Fund generated \$2.6 million in annual interest earnings, but now only generates approximately \$600,000.

The City should take the necessary corrective action to preclude future principal withdrawals from the Trust Fund. To the extent that the City is able to reverse deficits, achieve surpluses, and fund capital improvements, Coatesville should replenish the Trust Fund and enhance its ability to generate interest earnings.

Initiative	ADM14 Hire Additional Building Inspector				
Responsible Party	City Manager and Codes Director				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	First Quarter, 2011				

The Codes Department consists of a director, two inspectors, and an administrative assistant. Prior to 2008, the Department employed four inspectors in addition to the Director; however, since that time one inspector position was eliminated and another inspector was absent on extended leave. Compounding the staff reduction, existing inspectors do not possess the full range of certifications required to enforce the Uniformed Construction Code.

Though the Department’s staff has been reduced, its responsibilities remain the same. The Director has assumed more and more inspection responsibilities at the expense of managerial tasks such as performance measurement and reporting. In fact, the Director currently performs all building inspections.

The City should hire an additional building inspector, which would bring the overall staffing level back to the 2008 level. The addition of a building inspector will allow the City to perform more inspections and enable the Director of the Department to address his managerial responsibilities more fully. An additional inspector would not mean that the Director will no longer do inspections; rather, the expectation is that the Director will simply reduce his inspection workload. An additional building inspector would result in a net increase in inspections performed and allow for more proactive code enforcement from existing inspectors.

The building inspector’s annual salary is expected to be \$48,000 with benefits up to \$20,000 for total compensation of approximately \$68,000. This cost is already incorporated into the baseline forecast. The City has budgeted significant fee revenue increases into the 2011 budget in anticipation of this new hire. The Department should set a minimum goal of 50 percent recovery of the costs associated with the additional employee. A related recommendation is included in the Codes section of this chapter.



Initiative	ADM15 Reduce Non-uniformed FTEs by One				
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	60,000	63,000	66,150	69,458	72,930
Target Completion	First Quarter, 2011				

The 2008 report recommended that Coatesville reduce its non-uniformed workforce by two full-time employees. Coatesville now employs three fewer full-time workers today than in 2008; however, the City plans on hiring a building inspector and an additional Public Works employee. The addition of these two employees would result in one fewer non-uniformed City employee today compared to 2008.

Coatesville should reduce its non-uniformed full-time staff by one employee. Even with this reduction, the City’s workforce will be lower to that of other third class cities in terms of residents per full time employee. The cost savings associated with one fewer full-time employee assumes an annual salary of \$50,000 plus \$10,000 in benefits. To the extent that the actual savings are less than this amount, the City must identify additional revenue enhancement or cost reduction in another area.

Initiative	ADM16 Regularly Adjust Fees to Recover Cost of Services				
Responsible Party	City Manager and Finance Director				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	11,748
Target Completion	First Quarter, 2011				

As recommended in the 2008 plan, the City should set fee levels with the goal of recovering the cost of providing services. With this in mind, Coatesville should regularly adjust fees to reflect inflationary increases. In the interests of conservatism, our revised financial forecasts assume that the City does not adjust fees until 2015; however, since fees have not been raised in two years, Coatesville may choose to increase selected fees anytime.



Initiative	ADM17	Reduce Non-Personnel, Non-Debt Service Related Costs by Five Percent			
Responsible Party	Department Heads				
Budgetary Impact	2011	2012	2013	2014	2015
	120,304	123,021	125,800	128,643	131,551
Target Completion	First Quarter 2011				

Coatesville’s budget challenges demand strict control of each and every operating expense. The City should implement a 5 percent reduction in non-personnel, non-debt service related costs starting in 2011. The 5 percent reduction need not be implemented proportionally across all departments. The City’s administration and Council may elect to reduce expenses in one area more than another; however, the net impact of non-personnel savings to the budget should equal approximately \$120,000 in 2011.

In recent years, the City’s department heads have been asked to provide the same level of services with declining resources. Most department heads have already made cuts where possible, so finding additional reductions is challenging. However, considering Coatesville’s financial challenges and severe structural budget imbalance, these difficult corrective actions are necessary.

Initiative	ADM18	Increase Capital Improvement Plan Contributions			
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Target Completion	2011 through 2015				

Coatesville has taken steps forward since 2008 by establishing a multi-year capital improvement program; however, funding the program remains a challenge. As operating budgets have tightened, available funding for capital projects has diminished. Despite its financial challenges, the City must remain committed to funding its capital improvement program. Deferring regular maintenance and improvements into the future may save in the short-term; however, it adds to long-term costs and harms economic development efforts.

This plan recommends \$150,000 in incremental funding for capital improvements. This new funding is still insufficient to address all of the City’s capital needs; however, it represents a step in the right direction.



Initiative	ADM19	Evaluate Police Force Reductions if Other Gap Closing Initiatives are Insufficient				
Responsible Party	City Manager and Police Chief					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Fourth Quarter, 2011					

This report intentionally avoids workforce reductions in the Police Department. Improved safety has been identified as a prime concern of the citizenry as well as an essential component of attracting new investment and expanding economic development efforts. To that end, staff reductions in the Police Department are not recommended; however, if the City is unable to achieve structural budgetary balance, police force reductions may be unavoidable.

According to records provided by Human Resources, the Police Department has 45 of the City’s 79 full time employees. The Police Department also represents 43 percent of operating expenses in the City’s preliminary 2011 budget. Controlling operating expenses without impacting the Police Department and public safety is challenging. While reducing the number of officers patrolling the streets and keeping the City safe is not optimal, it may be necessary if other corrective measures are unsuccessful.

Initiative	ADM20	Increase Solid Waste Fund Transfers Where Appropriate				
Responsible Party	City Manager					
Budgetary Impact	2011	2012	2013	2014	2015	
	75,000	75,000	75,000	75,000	75,000	
Target Completion	Fourth Quarter, 2011					

The City budgets \$300,000 in transfers from the Solid Waste Fund in 2011. The Finance Director believes that these transfers may be increased with more aggressive collections of delinquent Solid Waste fees and improved recycling efforts. The City should refocus its Solid Waste fee collection, monitoring, and accounting efforts. The Finance Department should keep close records of the bills sent out, revenues collected, and delinquents outstanding. The Public Works Department should also consider the recommendations in the 2008 report intended to increase recycling rates and lowering the amount of rubbish generated by the City. According to the Finance Department, an increase of \$75,000 in Solid Waste transfers is a realistic expectation and Coatesville should set this as an annual goal.



Initiative	ADM21 Establish Performance Measurement Program				
Responsible Party	City Manager and Department Heads				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	Third Quarter, 2011				

It is imperative for any city to demonstrate a commitment to delivering high quality services and improving these services where possible. Since Coatesville’s residents are asked to pay the highest tax rates in Chester County, it is even more important. Coatesville can show this commitment to City services and employ an effective communication tool by implementing a performance measurement program such as CitiStat.

CitiStat is a performance measurement management tool employed by managers to mobilize agencies to produce specific results. Simply put, CitiStat is an ongoing series of regular, periodic meetings during which the City Manager and the principal members of the City’s leadership team and the directors of the City’s departments use data to analyze each department’s past performance, to establish its next performance objectives, and to examine overall performance strategies². The program serves several purposes including fostering a culture of accountability and results, providing managers a powerful tool to allocate resources and make decisions, and demonstrating the organization’s performance to its constituents.

Though the CitiStat concept gained attention after implementations in large municipalities like New York City and the City of Baltimore, smaller communities have also experienced successful programs based on the CitiStat model. Programs in places like Amesbury, Massachusetts (population approximately 16,000) and smaller agencies within other governments demonstrate that a CitiStat, or CoatesvilleStat, program is a realistic endeavor for Coatesville.

² Behn, Robert D. “What all Mayors Would Like to Know About Baltimore’s CitiStat Performance Strategy.” IBM Center for the Business of Government. 2007.



Initiative	ADM22 Identify Activities for Competitive Bid				
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	Second Quarter, 2011				

The City should identify services that should be bid competitively on a regular basis to achieve the lowest cost and provide transparency to vendor selection without compromising the quality of service. These services may include, but are not limited to, property, automobile, and crime insurance; solid waste collection; certain code inspection services; financial auditing; and legal services. In some cases, the City may benefit most from a multi-year contract with a service provider, while other contracts and insurance policies should be bid each year.

Initiative	ADM23 Examine Delinquent Tax Collection Practices				
Responsible Party	City Manager				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	Second Quarter, 2011				

The City should explore ways to increase delinquent real estate tax collections, which should positively impact current real estate tax collections. Each one percent increase in the City’s collection rate equals approximately \$22,000 in General Fund revenue. To increase collection rates and improve convenience, the City should consider offering different ways to pay including online, credit card, or debit card. The City should also withhold permits and licenses to residents that owe back taxes. The City should calculate the total amount of delinquent real estate and earned income taxes outstanding and set annual collection goals for these categories.



Initiative	ADM24	Identify Opportunities for Intergovernmental Cooperation				
Responsible Party	City Manager/Department Heads					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Third Quarter, 2011					

Consistent with the City Manager’s emphasis on relationship building, the City should identify opportunities to collaborate with surrounding communities and the County to enhance service delivery and reduce costs. Some examples of intergovernmental cooperation opportunities may include, but are not limited to:

- Joint fleet maintenance contracts with surrounding jurisdictions
- Multi-community equipment and vehicle sharing
- Shared information technology services; it is increasingly common for counties and their local governments to work together to provide email, network, help desk, software licenses, IT hardware, broadband, GIS, and virus protection support
- Parks maintenance
- Joint purchasing

The City should also explore opportunities to share public safety services with nearby jurisdictions, though these relationships often take time to develop and formalize.



Police Department

Status of 2008 Recommendations

PD01 Evaluate Patrol Staffing

According to the then Police Chief, the personnel primarily responsible for patrolling duties are Officers, Corporals, and Sergeants. In 2007, the number of employees fulfilling these duties declined from 25 to 21. City administrators responded by hiring more patrol officers to raise the complement to 28 (as of June 2008); however, no formal labor workload analysis was performed to set the appropriate workforce level in the Department. Since public safety is a prime concern of the citizenry and personnel costs are by far the most influential component of the Police Department’s operating budget, a proper assessment of manpower needs is essential. The 2008 Plan recommended that the City adopt a methodology for determining patrol force manpower needs.

Status: Staff evaluations are conducted every six months. Any deficiency reported is addressed in the most appropriate fashion. Deployment of patrol staffing is evaluated on a weekly basis and adjusted accordingly.

PD02 Conduct a Cost Analysis for Health Insurance Cost Alternatives Already Available in the Existing Collective Bargaining Agreement

According to the collective bargaining agreement between the City and FOP, the City must provide all regular, full-time police officers and qualified dependents with hospitalization benefits through the DVIT Aetna HMO Option 1. However, as a cost-savings measure, the City may elect to secure coverage for police officers under the DVIT Aetna HMO Option 4 Plan. If Coatesville elects to provide coverage through the Option 4 Plan, the City must self-insure the difference in copayments, maximums and all other aspects of coverage between the Option 1 and Option 4 Plans. The Option 4 Plan offers lower premiums, but higher co-pays. If the savings from the reduction in premiums more than offset the increased costs from higher co-pays, then switching to Option 4 is in the financial best interest of the City.

Status: The City still provides hospitalization benefits through the DVIT Aetna HMO Option 1 Plan. It is not clear if the administration has conducted a comprehensive analysis or otherwise considered changing to the Option 4 Plan.

PD03 Hire Parking Meter Officer

In July 2007, the City eliminated the parking meter officer position in an attempt to achieve budget savings. After the position was eliminated, parking violations issued declined, meaning parking regulations were not being enforced as stringently as in the



past. Parking regulations were enforced by patrol officers that issued tickets on their regular foot patrol beat. The revenue collected from increased parking ticket issuance would like exceed the cost of the parking meter officer while at the same time existing parking spaces could be used more productively and existing businesses serviced more effectively.

Status: The City hired a Parking Enforcement Officer on July 19, 2010. The Police Department is conducting research to streamline this process for efficiency and to increase revenue. The Department is exploring the use of hand held instant ticketing which is connected directly to the records management system and will enable the Department to better identify repeat violators and track outstanding tickets. The target timeframe for implementation of hand held instant ticketing is July 2011.

PD04 Implement a Boot Program

The City should implement a boot program to improve compliance with parking laws and increase collection rates for parking tickets. The City Manager should consult with the Police Chief and City Council to develop the booting policy and implementation plan. The group may consider factors such as how to notify residents of the new program, the fee level for boot removal, the number of outstanding parking tickets to warrant a boot, and fees for damaging boot devices. The group would also delegate responsibilities for managing and supervising the program.

Status: The Department has tasked its Operations Lieutenant with working on a program to utilize a booting system as part of the City’s parking strategy. The Operations Lieutenant will work with the parking officers to coordinate efforts. The goal of the boot program is to improve parking compliance while at the same time providing a new revenue stream to the City. The program should also help improve collection rates on parking violations. A tag reader device is also being pursued in order to indentify outstanding violators as our patrol car drive down the roadway. The timeline for implementation of this program is July 2011.

PD05 Pursue Intergovernmental Cooperation Agreements for Animal Control

In 2007, the City eliminated the animal control position, which reduced available patrol time for officers. The City investigated intergovernmental cooperation agreements with surrounding communities to provide animal control for Coatesville. Sharing this service with another jurisdiction would allow the police officers to focus more narrowly on policing activities, ensuring the public safety of the community.

Status: The Animal Control Officer was hired back on July 12, 2010. Once the officer is reestablished, the City will contact neighboring municipalities to gauge interest in sharing services and the cost of providing the service. The priority of the Animal Control Officer



is to ensure enforcement and safety for Coatesville. The target implementation of this initiative is January 2011.

PD06 Reduce Overtime through Coordinating Court Time and Planning Training

The City should make stronger efforts to coordinate with its courts to minimize the cancellation of proceedings, which result in overtime payments to officers. The City may also arrange with the courts to provide workspace so officers, while waiting to appear, can be given indoor work such as interviewing complainants, preparing shift rosters, or answering questions on the telephone.

Status: The Department is currently exploring this recommendation to determine if it will conflict with the collective bargaining agreement with the FOP. The City has met with the magistrate and efforts have been made to minimize the overtime of officer waiting for hearings. The implementation of this recommendation is ongoing.

PD07 Increase Reimbursement Rate for Special Events

The Police Department is reimbursed for the cost of providing service to activities limited to specific venues, including the Coatesville Area School District, Coatesville Catholic Elementary School, and other special events. The rate is structured to cover the salary cost of the officer; however, it does not include the full cost incurred by the City. The City should revise this rate to account for the cost of benefits and materials and supplies to support these events.

Status: The Department has increased its reimbursement rate for special events. The increases are established based on the current year's overtime rate. In addition to special events, the Department is also considering increasing fees for cell block housing. The target timeframe for cell block housing reimbursement changes is January 2011.

PD08 Pursue Accreditation through the Pennsylvania Chiefs of Police Association

In 2008, the Department planned to begin the Commission on Accreditation for Law Enforcement Agencies ("CALEA") accreditation self-assessment process. The 2008 Plan recommended the Department should first consider pursuing accreditation through the Pennsylvania Chiefs of Police Association.

Status: The Administrative Lieutenant and the Records Clerk have been tasked with leading the state accreditation process. The Administrative Lieutenant and Records Clerk have reviewed many of the Department's policies and have reported a close comparison. All changes that have recently been made to the Department's procedures have been done in accordance with the accreditation guidelines in anticipation of becoming certified. In



addition to increased operational benefits of accreditation, accreditation is also source of pride for the Department and may result in a decrease in insurance premiums. The Department targets July 2012 for the implementation of this recommendation.

PD09 Identify Appropriate Use of Drug Seizure Funds to Support Operations

The Police Department has experienced some success in generating revenue through drug seizure and asset forfeiture activities. The use of these funds generated from these efforts is restricted to uses that support drug enforcement efforts. The Department should identify appropriate uses of drug seizure funds that support both the Department’s drug enforcement activities as well as general operations.

Status: The Department has implemented this recommendation. The Chief of Police has guidelines and the authority to expend these funds for needs of the Department when the funds exist.

PD10 Transition Applicable Activities to Human Resources to Reduce Administrative Burden

In 2008, the Police Department’s administrative assistant was responsible for several tasks typically handled by municipal Human Resources Departments, such as insurance and workers compensation administration. Because of the administrative responsibilities already burdening the Police Department, the administrative assistant was forced to do payroll, vacation time, sick time, and court time calculations outside the office on the weekends. The City should transfer appropriate duties to the Human Resources Department where economies of scale can be realized. Transferring these duties should reduce the administrative burden on the Police Department and result in lower overtime costs.

Status: The Police Chief reports that coordination and collaboration between finance, human resources, and the police administration have been steadily improving. The Department will continue to review the required workload for better efficiency.

PD11 Investigate Use of GIS for Crime Mapping through Chester County

The 2008 Plan recommended that the City explore the use of crime mapping through a geographic information system (“GIS”) to improve departmental management, analysis, and law enforcement practices. The 2008 Plan acknowledged that this expense may not be feasible in the short-term considering the City’s financial position; however, future participation in a consortium that facilitates this service would be beneficial to the City.

Status: This recommendation has been implemented. The GIS system is connected directly to the Department’s records management data base. Maps of the City that show



all minor and major crime locations are created on a monthly basis. The statistical data is reviewed and deployment strategies are developed in the Department to address the issues appropriately.

New Recommended Action:

Initiative	PD12	Investigate the Value and Feasibility of Regionalized Police Services				
Responsible Party	Police Chief					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	First Quarter, 2011					

Regionalized police services offer a number of benefits, including improved uniformity and consistency of police enforcement; improved coordination of law enforcement services; improved distribution and deployment of police personnel; and reduced costs³. While there are also some downsides to regionalization, such as some loss of local control and potentially weaker contact with citizens, the City and the Department should investigate the value and feasibility of creating regionalizing police services.

Creating a regionalized police force arrangement can be difficult and complicated. If it is determined that joint police services are not feasible, the Police Chief should try to identify cooperation opportunities that are not as far-reaching. An alternative strategy may be for Coatesville to increase intergovernmental support incrementally with a long-term goal of more involved service sharing.

Initiative	PD13	Continue to Increase Fees for Special Events to Cover the Cost of Providing Service				
Responsible Party	Police Chief					
Budgetary Impact	2011	2012	2013	2014	2015	
	2,500	2,625	2,756	2,894	3,039	
Target Completion	First Quarter, 2011					

The Department should regularly increase the reimbursement rate it charges for special events to reflect the full cost of providing service. The full cost of service would not only include salary expense, but also benefit and overhead costs, as well.

³ “Regional Police Services, A Manual for Local Government Officials.” Department of Community and Economic Development. 2007.



Fire Department

Status of 2008 Recommendations

FD01 Implement Measures to Reduce Part-time Firefighter Cancellations on Weekends

Often the Department is forced to rely on full-time firefighters to fill in on weekend shifts when part-time firefighters cancel, which results in increased overtime expense for the City. Replacing a part-time firefighter with a full-time firefighter on weekend shifts not only raises costs for the City, but also increases the likelihood of exhaustion and fatigue for full-time firefighters that are already working their regular shifts.

The City should negotiate with the union to address excessive cancellations by part-time paid staff. New incentives or penalties to encourage part-time firefighters to honor their scheduled shifts would help the Department control overtime expense. The City should recruit more part-time firefighters to reduce the possibility of having to replace a part-time firefighter with a full-time firefighter. In addition to implementing cost saving initiatives, the Fire Chief and City Manager should take a proactive role in monitoring the use and circumstance of overtime.

Status: The Fire Department is initiating staffing changes with the goal of reducing cancellations and increasing overall part-time firefighter participation on weekends. The Fire Chief has received approval to hire three additional part-time firefighters. The additional manpower will reduce the burden on existing part-time firefighters that are responsible for filling weekend shifts.

The Fire Chief is also considering removing part-time firefighters from the roster list that do not work regular shifts. By adding new part-time firefighters and eliminating those that accept only minimal shift work, the Department should be able to lessen the need to replace part-time firefighters with more costly full-time firefighters on the weekends.

FD02 Consider Recruiting Volunteers to Increase Part-time Staff

As noted above, the City should recruit additional part-time firefighters in an effort to limit the use of full-time fighters to staff weekend shifts. Included in the cost of hiring additional part-time firefighters is 120 hours of required training. However, if the Fire Department were to recruit volunteers who have already received the appropriate training, the City could add staff without incurring the training expense. The Department has recruited volunteers into its part-time staff in the past and refocusing this effort can produce budgetary savings for the City.

Status: According to the Fire Chief, the volunteer staff by and large wishes to remain volunteer. Those that are interested in part-time paid employment already work for other



municipalities. The Fire Chief does not see much potential for recruitment out of the volunteer staff for part-time positions.

FD03 Initiate a Volunteer Firefighter Recruitment and Retention Program

The Fire Chief should form a committee comprised of career firefighting staff and existing volunteers to devise strategies to improve volunteer firefighter recruitment and retention. The City should consider offering volunteer firefighters increased benefits that may be enticing to workers, but have minimal budgetary impact. Such benefits may include free downtown parking, free family memberships to City pools and other recreational functions, subsidized membership at the YMCA, or other amenities. The City may also choose to recognize volunteers for outstanding achievements such as completing fire training programs or achieving certification and completing years of fire service. The committee should identify marketing strategies for recruitment and establish goals to increase volunteer headcount. The committee should document its achievements and report its progress to the City Manager.

Status: The City has received a grant from Chester County to improve marketing for volunteer firefighters. The grant funds efforts such as advertising, information publications, and other marketing materials.

FD04 Comply with PENNFIRS Reporting Requirements

In 2008, the City was not maximizing the use of its primary performance tracking tool, Fire House software. The Department’s management identified improved use of Fire House a priority for 2008. At that time, the City was well behind on its Fire House reporting requirements to the County. Not only does delinquency jeopardize Coatesville’s eligibility for grants, but it also increases the City’s liability in the case of an accident and in insurance reporting.

Status: The Fire Chief reports that the Department is in compliance with PENNFIRS reporting requirements.

FD05 Increase Fee Collection Efforts

The Fire Chief should monitor revenue generating activities and collections on a regular basis and provide status reports to the City Manager, which should be easier with the Department’s renewed focus on utilizing the Fire House software. The City should set the goal of increasing revenue collections from already existing fees to \$5,000 per year.

Status: The Fire Chief is working with City Council to pass a new ordinance which would allow the Fire Department to charge a fee for performing certain inspections. Currently,



the Fire Department performs safety, use, and commercial rental license inspections, but does not collect fees in return.

FD06 Institute False Fire Alarm Fee

In 2008, the City did not charge a fee for multiple false alarms from a single location or property. The fee, which is commonly charged in other municipalities, would be designed to recover some of the costs of service provided and serve as a deterrent for requesting unnecessary calls. Properly structured, this fee can generate revenue for the City without compromising the safety of the community.

Status: The City has instituted a false alarm fee. The City now charges a \$25 fee for the third false alarm occurrence in a 12 month period. All subsequent false alarms also carry a \$25 fee.

FD07 Develop Amicable Relations Between Career and Volunteer Staff

Many combination fire departments experience difficulties in managing the professional relationships between career and volunteer firefighters. The 2008 Plan included several ICMA recommended best practices to help resolve conflicts between the career and volunteer staff.

Status: The Fire Chief reports that the strength of relations between the career and volunteer staff runs in cycles. Improving relations among the career and volunteer firefighters continues to be a goal of the Department, though a solution has not been identified.

New Recommended Action:

Initiative	FD08	Revisit Strategies to Improve Relations Between Career and Volunteer Firefighters				
Responsible Party	Fire Chief					
Budgetary Impact		2011	2012	2013	2014	2015
		-	-	-	-	-
Target Completion	First Quarter, 2011					

As noted in the 2008 report, fire departments in many communities suffer from strained relations between career and volunteer staff. Interviews with the Fire Chief and career firefighters for the 2008 report revealed that tensions existed between career and volunteer staff in Coatesville. The Fire Chief should revisit best management practice strategies for resolving these conflicts and improving relations. Some of these best practices are shown in the table below:



Best Management Practices for Combination Fire Departments⁴

Career and volunteer firefighters should be trained to the same standards
Career and volunteer firefighters should receive training together
Career and volunteer firefighters should be held to the same performance standard
Career and volunteer firefighters should be subject to the same rules and standards of conduct
Career and volunteer firefighters should be trained in the team approach
Career and volunteer firefighters should be appointed on the basis of merit; should not be elected
During an administrative transition, management should make clear the reasons for the transition
During an administrative transition, management should implement the transition slowly, being careful to sell new ideas and practices to all stakeholders
Volunteer involvement should be increased
Certain volunteers (e.g. students) should be offered living space in the firehouse
Volunteers should be offered small financial incentives for performance improvement

Initiative	FD09	Continue Efforts to Reduce Overtime			
Responsible Party	Fire Chief				
Budgetary Impact	2011	2012	2013	2014	2015
	20,000	20,200	20,402	20,606	20,812
Target Completion	Second Quarter, 2011				

Overtime costs continue to put pressure on the City’s operating budget. The Fire Chief is attempting to control these costs by hiring new part-time firefighters to work weekend shifts. Weekend overtime is particularly high because of frequent part-time firefighter cancelations. When a part-time firefighter cancels, a more expensive full-time firefighter often fills in at the overtime rate of one and one half times salary.

The Fire Chief should provide an overtime report to the City Manager on a weekly or monthly basis. For each overtime instance, the Fire Chief should provide the reason for the overtime, the firefighter that filling the overtime shift, the firefighter that canceled his shift (if applicable), the number of overtime hours worked, and the incremental cost to the City. The report should include periodic and year-to-date overtime statistics.

⁴ ICMA. “Managing Conflict in Combination Fire Departments.” July 2000.



The Department should move forward with adding new part-time firefighters to help preclude future cancelations. The Department should also develop creative ways to reward part-time firefighters that reliably fill their scheduled shifts. Finally, the City should address work rules in future collective bargaining sessions that limit the City’s ability to control overtime.

While these measures may not reduce overtime directly, the increased scrutiny may result in fewer cancelations. The Department should set the goal of reducing overtime costs to pre-2008 levels, which would be a reduction of approximately \$23,000 in 2011. The revised financial forecast assumes savings of \$20,000 in 2011, increasing gradually through 2015.

Initiative	FD10	Expand Fee Collection Efforts Beyond Inspections			
Responsible Party	Fire Chief				
Budgetary Impact	2011 5,000	2012 5,000	2013 5,000	2014 5,000	2015 5,000
Target Completion	First Quarter, 2011				

The Fire Chief is pursuing ordinance changes to allow the City to collect for certain inspections performed by the Fire Department. The Department should expand its efforts to include collection for other services allowed by the City code. Fire Department fees per the City code include:

Fee Category	Charge
Fire Reports	Short report - \$20 Full report - \$25
Fire code	\$25 per section
Fire Chief response	\$75 per hour
Apparatus response (volunteer service)	\$150 per hour
Apparatus response (career service)	\$200 per hour
Special fire police	\$50 per hour
Negative for print	\$10
Fire permit	\$25
Special fire inspection	\$75 per hour
Special fire training	\$75 per hour
Special incident	Total cost of operation
Hazardous material incident	Total cost of operation
Commercial rental license	\$25



While the City has realized some increased income through the implementation of a false alarm fee, there is still the opportunity for more revenue. The Department should set the goal of \$5,000 in incremental annual revenue for expanded fee collections.

Initiative	FD11	Investigate the Merits of a Public Safety Director				
Responsible Party	City Manager					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Third Quarter, 2011					

From 1987 through 2005, Coatesville employed a full-time fire chief who worked out of City Hall. In an effort to reduce costs, the City replaced the full-time chief with a volunteer in 2006. The volunteer chief’s responsibilities are similar to those of the full-time fire chief; however, the volunteer chief does not have as much time to dedicate to the Department as the full-time chief.

The City’s financial position makes hiring a full time fire chief difficult. Other communities have addressed this organizational challenge by establishing a Director of Public Safety position. The Director of Public Safety (which would presumably be filled by the existing Police Chief) would oversee and coordinate both the Police and Fire Departments. The Police Department already handles administrative responsibilities related to the police officers. Since the Fire Department has just three full time firefighters and approximately ten part-time firefighters, the additional administrative burden would not likely be overwhelming. The existing Fire Chief would still have a role in Department activities and would serve as an advisor to the Director of Public Safety; however, this role would be more suited to the time the volunteer chief is able to devote to these activities.

If the City determines that the responsibilities of the Director of Public Safety would place undue strain on the Chief of Police and his team, then the Departments should identify individual tasks that may be transferred to the Police Department that would capitalize on economies of scale. Transfer of these duties would allow the Fire Chief to spend more time on day-to-day management responsibilities in the Fire Department.



Codes Department

Status of 2008 Recommendations

CD01	Reevaluate Fee Structure - Building Permits
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The City should structure its fees to appropriately recover the costs of providing service and so that fees are in line with those in surrounding communities. A comparison of several key fees charged in Coatesville and other selected Chester County municipalities shows that Coatesville can justify fee increases to enhance revenues. However, an analysis showed that Building Permit fees were high compared to surrounding jurisdictions and further increases would be counter-productive to economic development.

Status: The City has not increased Building Permit fees.

CD02	Reevaluate Fee Structure - Apartment Licenses
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The City should raise the current level of its apartment license fee from \$35 to \$40 and should institute a \$5 penalty for late payments. Coatesville's apartment license fee is below other third class cities we identified that charge the same fee. The City of Reading and the City of York both charge an annual \$50 fee.

Status: An ordinance was introduced modifying the fee schedule associated with inspection of rental dwelling units; however, this ordinance was not approved by City Council. The Codes Director would like to reintroduce the ordinance after conducting exploratory discussion with City Council and Administrative staff.

CD03	Evaluate Third-Party Inspections
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The City should issue a Request for Proposal for UCC Building Plan/Inspection Services to qualified third-party service providers. Management should then conduct a cost-benefit analysis to determine if it is in the best interests of the City to use a contractor to provide this service.

Status: The City issued an RFP and determined that contracting with a third party inspector would improve efficiency. The City retained CMX, Inc. and Czop/Specter as Third-Party Inspection Agency.



CD04 Achieve Certification Requirements

If the City evaluates proposals for inspection services and decides not to employ a contractor to provide this service, it must meet all UCC requirements, including mandates regarding inspector certification. Currently, only one inspector in the Codes Department meets the UCC certification requirements for commercial and residential building inspections. The 2008 plan stated that the City should set a goal that all inspectors have as a minimum their residential building inspection certifications by December 2008 and required commercial building certifications by April 2009. The City should develop a process for ensuring that inspector's certifications remain updated and active.

Status: The City's inspectors have not achieved met the certification targets set forth in the 2008 plan.

CD05 Initiate Interdepartmental Collaboration

New businesses in the City must apply for a Use and Occupancy license from the Codes Department as well as a Business Privilege Tax license from the Finance Department. There is no process currently in place to minimize the administrative hassle of obtaining all necessary City documentation and paying applicable fees and taxes. The City should streamline this process to ensure that a record is kept of new businesses for the purposes of charging Business Privilege Taxes.

Status: Changes in the use of new software by the City stalled previous progress made with employment of the former software. The Finance and Codes Departments are now able to update information through the financial software as a result of an electronic link established between the departments.

CD06 Interdepartmental Action Template

As in other governments, many duties in Coatesville require the cooperation of more than one department. The Codes Director should develop a list of the five most common occurrences where responsibilities between departments overlap. The Director should identify each department's specific role relative to these occurrences. Each department head should then review this list and come to an agreement on each manager's responsibilities.

Status: The Codes Department has made progress in collaborating with other departments; however, the Department has not created an action template to guide future partnering efforts. The Codes Director should revisit recommendation to improve working relationships with other departments.



CD07 Performance Measurement Tracking

At the time of the 2008 report, the Codes Department had not performed rigorous performance measurement tracking. The Codes Director had developed performance measures to track in the future and planned to kick off that program later that year.

Status: The Department does limited performance measurement.

CD08 Evaluate Use and Occupation Inspection Efforts

The Codes Department should increase its focus on monitoring and reporting completed inspections. Currently, the Codes Department cannot readily report the number or category of completed inspections. Improved record keeping and data management will help the Department determine when inspections are needed and for what facilities. For the sake of public safety, and to enhance a revenue generating activity for the City, the Department should reexamine the status of its residential and nonresidential inspections.

Status: Use registration is different from use and occupancy, and has been an issue in the City due to possible misinterpretation by the Codes Department. The Department was previously inspecting properties upon resale, as part of the use registration process. Language in the ordinance was vague as to a fee for an inspection by the City or simply certification relating to the zoning and any issued and outstanding violations on the City's records. In other words, the City would have met the spirit of the ordinance by examining its records to determine applicable zoning and any outstanding housing code violations and not conducting inspections in the context of use registration. Inspections under the Coatesville Code are triggered by use, not transfer of interests in real property.

Proper interpretation of the code prompted this Department's new policy to adhere to proper practices and procedures to be followed in this area, pursuant to § 136-19 of the City of Coatesville Code. Additionally, Ordinance 1319-2009 was introduced and approved by City Council eliminating the conflict in language as to a fee for an inspection by the City or simply certification relating to the zoning and any issued and outstanding violations on the City's records.

CD09 Investigate Geographic Information Systems Sharing Opportunities with Surrounding Municipalities

GIS and automated mapping are tools that more and more local governments across the country are using to improve planning and development activities. When the City's financial position improves, it should consider joining the Chester County GIS consortium program to support its development activities.

Status: This recommendation is still outstanding and is a long-term objective for the City.



CD10 Implement Instant Ticket

The City should implement a program known as “Instant Ticket” for sanitation violations such as littering, placing trash out improperly, and allowing high grass and weeds to grow on property. Under the Instant Ticket program, inspectors take pictures of sanitation violations in the community with a digital camera. The inspector then returns to City Hall to process the violations and mails tickets to the property owners in violation.

Status: Instant Ticket has not yet been implemented, though the City is strongly considering a code enforcement program that would incorporate components of Instant Ticket. The proposed program envisioned by the Codes Director would operate in a manner to assure property owner their due process. A courtesy letter and informational brochure would be designed and mailed to the property owner to help them understand the City’s enforcement process and the basis for the violation or complaint. The inspector will notify a property owner of code violations on the property along with a date to correct the violations. If, upon re-inspection, the violations have not been resolved, pictures of the violation will be taken and a fine will be assessed.

An outline for review by both the District Magistrate and City Fines would be paid to the City of Coatesville Finance Department within 30 days from the date assessed to avoid fine escalations and having the fines collected via the property tax bill. Similar to traffic ticket violation, appeals would be made directly to the District Court.

New Recommended Action:

Initiative	CD11 Identify Activities That May Be Shared with Public Works Staff				
Responsible Party	Codes Director/Public Works Director				
Budgetary Impact	2011	2012	2013	2014	2015
	-	-	-	-	-
Target Completion	Second Quarter, 2011				

Due to lack of staffing, the Codes Department does limited proactive codes enforcement. Because Public Works Department employees are often working in the community and may recognize issues pertinent to code enforcement, the Codes Department and Public Works Departments should collaborate to identify where synergies may exist and how the Public Works Department may aid in code enforcement.



Initiative	CD12	Establish Cost Recovery Targets for Inspectors				
Responsible Party	Codes Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	First Quarter, 2011					

This report recommends that the City hire an additional building inspector. While the primary aim of code enforcement is not revenue generation, the City should expect to accrue some level of incremental income with an additional inspector. The Department should closely monitor Codes Department related revenues.

Initiative	CD13	Work Closely with Finance Department to Resolve Financial Coding Discrepancies				
Responsible Party	Codes Director and Finance Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	First Quarter, 2011					

Interviews revealed that receipts related to Codes Department activities are not being entered into the City’s financial software appropriately. The result is that receipts are coded into the wrong account and managers cannot accurately track the trends and performance of certain revenue items. The Codes Director should collaborate with the Finance Director and the appropriate administrative staff to reconcile these data input issues.

Initiative	CD14	Reevaluate Apartment License Fee				
Responsible Party	Codes Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	15,000	15,000	15,000	15,000	15,000	
Target Completion	First Quarter, 2011					

The City should consider raising the current level of its apartment license fee from \$35 to \$40 and should institute a \$5 penalty for late payments. Coatesville’s apartment license fee is below other third class cities we identified that charge the same fee. The City of Reading and the City of York both charge an annual \$50 fee. A \$5 increase represents a 14 percent increase over current level, which would generate approximately \$15,000 in incremental revenue.



Finance Department

Status of 2008 Recommendations

FIN01	Improve Financial Reporting and Monitoring
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To effectively manage the City's financial position and deliver services to its residents, decision-makers must have accurate and timely reports of financial results and projections. Regular monitoring of budgetary and cash flow performance provides an early warning of potential problems and allows management to take corrective action, if necessary.

The Finance Department should improve financial reporting to include monthly cash flow reports that look out 12 months, departmental financial reports, accounts receivable and accounts payable reports on a monthly basis, and balance sheets on a quarterly basis. The reports should be made available to the City Manager and the Finance Director should be prepared to explain the details of the documents and factors influencing trends.

Status: The Finance Department has significantly improved its financial reports. The Department now presents a detailed monthly financial report to City Council and plans to produce the following reports in the future: monthly balance sheets, historical tax collection, historical EIT collection, accounts receivable reports by major revenue source.

FIN02	Implement a More Comprehensive Budget Process
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The 2006 independent financial audit recommended that the City improve budgeting procedures, a recommendation carried over from previous audits. Past audits noted "grossly inaccurate" projections of current year activities, which contributed to operating deficits and the need for emergency actions by the government.

The City should develop a budget calendar for internal use that presents a more detailed sequence of events and description of responsibilities. The calendar should set a timeline for milestones such as the distribution of budget request forms to department heads; return of the budget request forms to the Finance Department; submission of revenue projections from the Finance Department to the City Manager; consideration of changes in tax policy and personnel decisions; and implementation of capital budgeting requests. The calendar should also account for time for department heads to discuss their budget request with the Finance Department and City Manager, and a timeline for the formal adoption of the budget by City Council.

Status: The Finance Director follows the code book regarding producing the annual budget. The Director has also made efforts to improve the organization of the budget. Previously, major expenses were budgeted in Other Funds, but corresponding transfers from the General Fund were not incorporated into the General Fund annual budget. The



Director has made adjustments so that all fund transfers with implications to the General Fund are shown clearly.

The Director plans to augment the current annual budget with more line items, and better projections of year-end anticipated actuals, for the budget preparation and presentation to City Council for the subsequent budget year.

FIN03 Complete Audit in a More Timely Fashion

The 2008 plan recommended that the City reach out to its auditor in the fall of 2008 for suggestions on how best to prepare for a timely audit process for both the RDA and the City. The City should set the goal to complete the 2008 audit by April 2009.

Status: The City still has not completed its 2008 or 2009 audits. A draft 2008 audit was available by mid-September. As of September 2009, the RDA’s 2008 audit was completed, however, the 2009 audit is incomplete.

FIN04 Reevaluate the Purchasing Process

An improved purchasing process can create efficiencies across all departments and reduce the administrative burden on the Finance Department. Currently, purchase orders are not required to include codes that identify the department and account classification associated with the purchased item. Often when the Finance Department receives invoices for these items, processors spend considerable time sorting and coding so purchases can be recorded properly. The Finance Department should reevaluate its purchasing process and leverage its existing financial software to resolve coding and other administrative inefficiencies.

Status: Since the 2008 report, Coatesville has changed its financial management software. The Finance Department is working with its software provider to install a purchasing module; however, full implementation of a new purchasing process is not yet complete.

FIN05 Encourage the Use of Direct Deposit

The City should encourage the use of direct deposit of paychecks for its employees.

Status: The City has been encouraging the use of direct deposit and currently the majority of employees take advantage of this service.



FIN06 Explore the Use of Electronic Funds Transfers Where Appropriate

The City uses paper check stock to make nearly all of its payments to vendors. The City should make use of electronic funds transfers where appropriate to reduce the administrative burden, reduce the need for check stock, and lower mailing costs.

Status: Until the City’s accounting system is more accurate the Finance Department will continue to use check stock. The Finance Department needs to initiate more checks and balances before electronic payments to vendors are viable. Segregation of duties in the Finance Department is a work in progress.

FIN07 Consolidate the Number of Bank Accounts Where Appropriate

The Government Financial Officers Association (“GFOA”) recommends that governments consolidate into as few bank accounts as possible. The City had been working with its financial software service provider to reduce the number of its active bank accounts.

Status: According to the Finance Director, accounting functions are not currently sophisticated enough to consolidate bank accounts. The Department is adding accounts for each Restricted Grant that is funded by outside agencies, to ensure correct revenue and payable processes.

FIN08 Improve Supervision over Processing

Simple processing errors can lead to complications in the payment of invoices and payroll and can make bank reconciliations unnecessarily burdensome. The Finance Director should take a more active role in supervising processing quality assurance.

Status: The Department has one fewer employee than in 2008 and staffing will be an obstacle to improving supervision. The Finance Director is currently trying to organize her staff to ensure revenue and payable processes are correctly initiated, recorded, and remitted.

FIN09 Separate Responsibilities to Ensure the Integrity of Bank Reconciliations

Separating the cashiering, payroll, and purchasing functions from the bank reconciliation function is a basic internal control that should be strictly enforced by the Department to assure accuracy in reporting and guard against fraud. With such an understaffed Finance Department, planning and foresight are required to perform bank reconciliations when employees are absent from work. The Department should, to the best of its ability,



attempt to obtain the planned vacation time of its employees to avoid periods of limited staffing for finance duties, in general, and reconciliation activities, in particular.

Status: The Finance Director is currently taking full responsibility for bank reconciliations for all funds. This removes the general ledger entry function from the bank reconciliation function; however, this process further burdens the Finance Director who is already understaffed.

FIN10 Review and Update the Chart of Accounts

Some codes in the City’s general ledger chart of accounts do not match the Commonwealth’s uniform chart of accounts. For the purpose of uniformity, the City should check current chart of account numbers against the Commonwealth’s and match accordingly.

Status: This has been completed. Account codes are created from the Commonwealth’s chart of accounts.

FIN11 Utilize Expertise of Third-Party Tax Collector

The City contracts with H.A. Berkheimer, Inc. for Real Estate and earned income tax collections. The City can make better use of this resource in the areas of financial forecasting and the comparison of budgeted to actual collections.

Status: The City receives regular reports from its tax collector and will contact Berkheimer for clarification on tax related issues and receipt abnormalities.

Recommended Action:

Initiative	FIN12	Produce Cash Flow Report That Projects Receipts and Expenditures on a Monthly Basis				
Responsible Party	City Manager and Finance Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	First Quarter, 2011					

The Finance Department can now produce monthly cash flow projections, which is an improvement over the Department’s financial reporting capabilities when the 2008 report was complete. Coatesville has faced cash shortfalls in recent years that have been closed with one-time revenues such as asset sales and principal withdrawals from the Trust Fund. Diligent cash flow monitoring and projecting will help decision-makers identify future cash flow deficiencies and take appropriate advance action.



The Finance Department has used the monthly cash flow projection reports primarily towards the end of the year when the cash position was most precarious. The City should use this report throughout the year and the finance should update this report monthly to show a rolling forward 12 month outlook.

Initiative	FIN13	Address Findings and Recommendations from Independent Financial Audit				
Responsible Party	City Manager and Finance Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Second Quarter, 2011					

The draft 2008 independent financial audit observed significant record keeping deficiencies noting that management was unable to sufficiently account for material activity including:

- Reconciliation of all bank accounts to a general ledger control account.
- Reconciliation of accounts receivable and accounts payable balances based on subsidiary detail.
- Accounting for capital asset additions and deletions, and related accumulated depreciation.
- Verification that all cash collected was deposited into a bank account in the name of Coatesville.
- Determination that all balances for payroll expenses, benefits, and related liabilities are recorded in correct accounts for accurate amounts.
- Interfund transfers owed between funds of the City.
- Adjusted allowance for doubtful accounts for solid waste receivables.

The Finance Department is working diligently to resolve the accounting and record keeping problems from past years. The City should develop a plan to address the record keeping deficiencies described above in addition to the other recommendations noted in the auditor’s report. The Finance Director should lead the implementation of these recommendations, but to the greatest extent possible, delegate tasks to staff members.



Public Works Department

Status of 2008 Recommendations

PW01	Evaluate Pay as You Throw Programs
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Communities with pay-as-you-throw (“PAYT”) programs (also known as unit pricing or variable-rate pricing) charge residents for the collection of municipal solid waste based on the amount they throw away, rather than a fixed fee. The variable rate pricing structure creates a direct economic incentive to recycle more and to generate less waste, which reduces the government’s solid waste expense.

Status: The City will consider this type of program at the expiration of the current contract with Charles Blosenski, Inc. The existing contact runs through March 2011.

PW02	Implement Recycling Incentive Program
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Coatesville should implement programs that encourage its residents to recycle, thereby reducing the amount of waste they put out on the curb and lowering disposal expenses for the City. RecycleBank is an example of a private company that offers such a program to local governments.

Status: As with a PAYT program, the City will consider this type of program at the expiration of the current contract with Charles Blosenski, Inc. The existing contact runs through March 2011. The Public Works Director notes the need to both emphasize the importance of recycling through increased education and increase the enforcement of the existing ordinance especially in relation to multi-family and commercial properties.

PW03	Develop Energy Policy
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The Public Works Department should lead energy savings initiatives through facilities management and the development of an energy policy. The purpose of the energy policy would be to outline procedures for energy related maintenance and to investigate methods to make facilities more energy efficient.

Status: The City is in the process of adopting energy conservation measures as suggested both for buildings and for the vehicle fleet. The Department’s energy savings strategies include basic professional office practices to reduce energy use. Examples of these practices include turning off machinery when not in use, closing blinds, and prohibition of personal heaters.



The Department also plans to replace its energy management system to save on utilities expense. The existing system is designed for comfort rather than efficiency. Replacement would require upfront investment, but would produce recurring savings going forward. Budget constraints are an obstacle for this sort of investment.

PW04 Join an Energy Consortium

The City should pursue membership in an energy consortium such as the Central Pennsylvania Energy Consortium (“CPEC”). The CPEC is a group of approximately 200 governmental entities such as school districts and municipalities from eight Pennsylvania counties that are exempt from fuel taxes. By banding together, they have been able to purchase bulk lots of fuel at better prices than they could secure individually.

Status: The City is considering joining an energy consortium; however, a final decision on membership has not been made. The City will evaluate the costs and benefits of membership before deciding on its course of action.

PW05 Hire an Energy Consultant to Identify Cost Saving Opportunities

The City should hire a consultant to investigate billing and rate structure options that would produce budgetary savings. Consultants can help the City select the most economical billing arrangement available and identify overcharges resulting from billing errors and miscalculations.

Status: The City has engaged a consultant to review the billing arrangements with its energy providers. The analysis has not yet been completed, but will be before the end of the year.

PW06 Develop a Risk Management Program

The Public Works Department currently does not have a formal risk management plan in place. Risk management plans are intended to ensure the safety of the City’s employees and residents and protect assets from loss.

Status: The Department is working closely with its safety committee to implement the program addressed in the Pennsylvania Public Works Manual. The program is expected to be fully implemented by the end of 2010 and will include policies that address risk exposure as it relates to physical property, loss of income, contingent expenses, human resources, and legal liability.



New Recommended Action:

Initiative	PW07	Consider S.W.E.E.P. Type Outreach Program				
Responsible Party	Public Works Department Head and Codes Director					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Third Quarter 2011					

This report endorses Coatesville’s efforts to move forward with a Solid Waste Education and Enforcement Program (“SWEEP”) similar to those implemented in cities such as Philadelphia, Allentown, Lancaster, and Washington DC. The aim of a SWEEP type program would be to promote a cleaner, safer Coatesville through community outreach and improved code enforcement. The program would incorporate elements of Instant Ticket, which was recommended in the 2008 Early Intervention Program report.

SWEEP would be a City-run program created to educate citizens about their responsibilities under the sanitation code. SWEEP would enforce the law against violators through intensified street patrols by uniformed litter enforcement officers, computerized tracking of code violation notices, and speedy adjudication of violations. Through education and enforcement, SWEEP supports and enhances individual and community efforts to maintain a clean city.

Initiative	PW08	Incorporate Quality of Life Objectives into Performance Measurement				
Responsible Party	Public Works Department					
Budgetary Impact	2011	2012	2013	2014	2015	
	-	-	-	-	-	
Target Completion	Second Quarter, 2011					

The Public Works Director and City in general have put new emphasis on services that improve quality of life for Coatesville residents. The Public Works Director should identify performance measures that target quality of life issues in the City. These performance measures should be related to the SWEEP program and other public works functions such as street cleaning, snow plowing, rubbish collection, recycling, park and facilities maintenance, risk management, and vehicle maintenance.



Summary of Recommendations

Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
ADM10	Establish Personnel Cost Savings Targets	City Manager and Finance Director	60,000	275,000	400,000	525,000	650,000	2011 through 2015
ADM11	Implement Salary and Benefits Cost Control Measures for Non-represented Personnel	City Manager	-	-	-	-	-	First Quarter, 2011
ADM12	Gradually Return Real Estate Tax Millage Rate to 2009 Level	City Manager	-	121,043	242,086	242,086	242,086	First Quarter 2012
ADM13	Preserve Trust Fund Principal	City Manager	-	-	-	-	-	Ongoing
ADM14	Hire Additional Building Inspector	City Manager and Codes Director	-	-	-	-	-	First Quarter, 2011
ADM15	Reduce Non-uniformed FTEs by One	City Manager	60,000	63,000	66,150	69,458	72,930	First Quarter, 2011
ADM16	Regularly Adjust Fees to Recover Cost of Services	City Manager and Finance Director	-	-	-	-	11,748	First Quarter, 2011
ADM17	Reduce Non-Personnel, Non-Debt Service Related Costs by Five Percent	Department Heads	120,304	123,021	125,800	128,643	131,551	First Quarter 2011
ADM18	Increase Capital Improvement Plan Contributions	City Manager	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	2011 through 2015
ADM19	Evaluate Police Force Reductions if Other Gap Closing Initiatives are Insufficient	City Manager and Police Chief	-	-	-	-	-	Fourth Quarter, 2011
ADM20	Increase Solid Waste Fund Transfers Where Appropriate	City Manager	75,000	75,000	75,000	75,000	75,000	Fourth Quarter, 2011
ADM21	Establish Performance Measurement Program	City Manager and Department Heads	-	-	-	-	-	Third Quarter, 2011
ADM22	Identify Activities for Competitive Bid	City Manager	-	-	-	-	-	Second Quarter, 2011



Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
ADM23	Examine Delinquent Tax Collection Practices	City Manager	-	-	-	-	-	Second Quarter, 2011
ADM24	Identify Opportunities for Intergovernmental Cooperation	City Manager/ Department Heads	-	-	-	-	-	Third Quarter, 2011
PD12	Investigate the Value and Feasibility of Regionalized Police Services	Police Chief	-	-	-	-	-	Third Quarter, 2011
PD13	Continue to Increase Fees for Special Events	Police Chief	2,500	2,625	2,756	2,894	3,039	First Quarter 2011
FD08	Revisit Strategies to Improve Relations Between Career and Volunteer Firefighters	Fire Chief	-	-	-	-	-	First Quarter, 2011
FD09	Continue Efforts to Reduce Overtime	Fire Chief	20,000	20,200	20,402	20,606	20,812	Second Quarter, 2011
FD10	Expand Fee Collection Efforts Beyond Inspections	Fire Chief	5,000	5,000	5,000	5,000	5,000	First Quarter, 2011
FD11	Investigate the Merits of a Public Safety Director	City Manager	-	-	-	-	-	Third Quarter, 2011
CD11	Identify Activities That May Be Shared with Public Works Staff	Codes Director/ Public Works Director	-	-	-	-	-	Second Quarter, 2011
CD12	Establish Cost Recovery Targets for Inspectors	Codes Director	-	-	-	-	-	First Quarter, 2011
CD13	Work Closely with Finance Department to Resolve Financial Coding Discrepancies	Codes Director and Finance Director	-	-	-	-	-	First Quarter, 2011
CD14	Reevaluate Apartment License Fees	Codes Director	15,000	15,000	15,000	15,000	15,000	First Quarter, 2011
FIN12	Produce Cash Flow Report That Projects Receipts and Expenditures on a Monthly Basis	City Manager and Finance Director	-	-	-	-	-	First Quarter, 2011



Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
FIN13	Address Findings and Recommendations from Independent Financial Audit	City Manager and Finance Director	-	-	-	-	-	Second Quarter, 2011
PW07	Consider S.W.E.E.P. Type Outreach Program	Public Works Department Head and Codes Director	-	-	-	-	-	Third Quarter 2011
PW08	Incorporate Quality of Life Objectives into Performance Measurement	Public Works Department	-	-	-	-	-	Second Quarter, 2011
Total Revenue Enhancements			22,500	143,668	264,842	264,980	276,873	
Total Expenditure Reductions			260,304	481,221	612,352	743,706	875,293	
Total Increased Transfers			75,000	75,000	75,000	75,000	75,000	
Total Increased Capital Contributions			(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	
Total Net Budgetary Impact			207,804	549,889	802,194	933,686	1,077,166	

* Budgetary impact of initiatives reflects net budgetary impact after costs (if any) of implementation.



Chapter Four

Revised Forecast with Corrective Action

Overview

In the two years since the initial five-year financial plan was presented to the City, Coatesville's financial condition has worsened. Though some cost control measures have been implemented, revenues are not keeping pace with expenses and its Trust Fund balance has shrunk from approximately \$20 million to just over \$13 million. Coatesville made principal withdrawals from the Trust Fund in both 2008 and 2009. Though another principal withdrawal is not planned for 2010, the City will use a "Contingency Fund" transfer to balance the budget, which is the equivalent of a fund balance transfer.

If not properly addressed, Coatesville's financial challenges will threaten its capacity to deliver even the most basic services to its residents. The City will struggle to attract the investment and growth it needs to generate operating revenue for the General Fund. The City's operating budget is in serious structural imbalance – that is, the growth in expenses far exceeds that of revenues. The imbalance is reflected in future financial projections that reveal growing operating deficits.

The baseline financial forecasts show an extremely challenging situation for the City. Without corrective action – assuming budget trends remain constant and no new revenues are generated – revenues will increase at an estimated average annual rate of 1.1 percent while expenses will grow 3.6 percent on average. The baseline operating deficit will reach almost \$2.4 million by 2015, with a 2015 year-end fund balance of negative \$3.7 million.

This Plan develops a program to reduce these projected deficits through a combination of reductions in expenditures, improvements in productivity, and increases in revenue. Below is a summary of the recommendations and gap closing measures from the previous chapter. The budgetary impact, responsible party, and target completion date are included for each recommendation.

As shown in the revised five-year financial forecasts, even with significant corrective action the City faces deficits in the future. The recommendations would result in necessary structural improvements to the budget and provide interim financial relief while economic development efforts have the chance to provide tax base growth.



Summary of Recommendations

Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
ADM10	Establish Personnel Cost Savings Targets	City Manager and Finance Director	60,000	275,000	400,000	525,000	650,000	2011 through 2015
ADM11	Implement Salary and Benefits Cost Control Measures for Non-represented Personnel	City Manager	-	-	-	-	-	First Quarter, 2011
ADM12	Gradually Return Real Estate Tax Millage Rate to 2009 Level	City Manager	-	121,043	242,086	242,086	242,086	First Quarter 2012
ADM13	Preserve Trust Fund Principal	City Manager	-	-	-	-	-	Ongoing
ADM14	Hire Additional Building Inspector	City Manager and Codes Director	-	-	-	-	-	First Quarter, 2011
ADM15	Reduce Non-uniformed FTEs by One	City Manager	60,000	63,000	66,150	69,458	72,930	First Quarter, 2011
ADM16	Regularly Adjust Fees to Recover Cost of Services	City Manager and Finance Director	-	-	-	-	11,748	First Quarter, 2011
ADM17	Reduce Non-Personnel, Non-Debt Service Related Costs by Five Percent	Department Heads	120,304	123,021	125,800	128,643	131,551	First Quarter 2011
ADM18	Increase Capital Improvement Plan Contributions	City Manager	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	2011 through 2015
ADM19	Evaluate Police Force Reductions if Other Gap Closing Initiatives are Insufficient	City Manager and Police Chief	-	-	-	-	-	Fourth Quarter, 2011
ADM20	Increase Solid Waste Fund Transfers Where Appropriate	City Manager	75,000	75,000	75,000	75,000	75,000	Fourth Quarter, 2011
ADM21	Establish Performance Measurement Program	City Manager and Department Heads	-	-	-	-	-	Third Quarter, 2011
ADM22	Identify Activities for Competitive Bid	City Manager	-	-	-	-	-	Second Quarter, 2011



Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
ADM23	Examine Delinquent Tax Collection Practices	City Manager	-	-	-	-	-	Second Quarter, 2011
ADM24	Identify Opportunities for Intergovernmental Cooperation	City Manager/ Department Heads	-	-	-	-	-	Third Quarter, 2011
PD12	Investigate the Value and Feasibility of Regionalized Police Services	Police Chief	-	-	-	-	-	Third Quarter, 2011
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FD11	Investigate the Merits of a Public Safety Director	City Manager	-	-	-	-	-	Third Quarter, 2011
CD11	Identify Activities That May Be Shared with Public Works Staff	Codes Director/Public Works Director	-	-	-	-	-	Second Quarter, 2011
CD12	Establish Cost Recovery Targets for Inspectors	Codes Director	-	-	-	-	-	First Quarter, 2011
CD13	Work Closely with Finance Department to Resolve Financial Coding Discrepancies	Codes Director and Finance Director	-	-	-	-	-	First Quarter, 2011
CD14	Reevaluate Apartment License Fees	Codes Director	15,000	15,000	15,000	15,000	15,000	First Quarter, 2011
FIN12	Produce Cash Flow Report That Projects Receipts and Expenditures on a Monthly Basis	City Manager and Finance Director	-	-	-	-	-	First Quarter, 2011



Initiative	Responsible Party	Budgetary Impact					Target Completion	
		2011	2012	2013	2014	2015		
FIN13	Address Findings and Recommendations from Independent Financial Audit	City Manager and Finance Director	-	-	-	-	-	Second Quarter, 2011
PW07	Consider S.W.E.E.P. Type Outreach Program	Public Works Department Head and Codes Director	-	-	-	-	-	Third Quarter 2011
PW08	Incorporate Quality of Life Objectives into Performance Measurement	Public Works Department	-	-	-	-	-	Second Quarter, 2011
Total Revenue Enhancements			22,500	143,668	264,842	264,980	276,873	
Total Expenditure Reductions			260,304	481,221	612,352	743,706	875,293	
Total Increased Transfers			75,000	75,000	75,000	75,000	75,000	
Total Increased Capital Contributions			(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	
Total Net Budgetary Impact			207,804	549,889	802,194	933,686	1,077,166	

* Budgetary impact of initiatives reflects net budgetary impact after costs (if any) of implementation.



Revised Financial Forecasts

The five-year financial plan presented to the City in 2008 included two separate five-year financial projection scenarios based on the impact of economic development efforts. The purpose of showing two forecasts was to provide managers with a picture of what to expect if economic development projects did not materialize as expected.

The results showed that, unless a substantial portion of currently unconfirmed development projects come to fruition, the City would continue to experience deficits which would damage its efforts to provide essential services to the citizenry. Two years later, the City has not achieved the economic development successes that were anticipated and new actions are required. The schedule below shows the five-year financial projections incorporating the updated plan’s recommendations.

Exhibit 4.1
Revised Operating Projection, 2011-2015

	2011	2012	2013	2014	2015
Revenues	7,736,218	7,816,523	7,905,257	7,996,008	8,088,822
Adjustments					
Revenue Enhancements	22,500	143,668	264,842	264,980	276,873
Total Adjusted Revenues	7,758,718	7,960,191	8,170,100	8,260,988	8,365,694
Expenses	9,078,811	9,398,245	9,734,292	10,088,186	10,456,272
Adjustments					
Cost Reducing Initiatives	(260,304)	(481,221)	(612,352)	(743,706)	(875,293)
Total Adjusted Expenses	8,818,507	8,917,024	9,121,941	9,344,480	9,580,978
Operating Results	(1,059,789)	(956,833)	(951,841)	(1,083,492)	(1,215,284)
Transfers In					
Reserve Fund Interest Earnings	600,000	600,000	600,000	600,000	600,000
Solid Waste Fund	300,000	300,000	300,000	300,000	300,000
Other Transfers	340,000	185,000	185,000	185,000	185,000
Increased Solid Waste Transfers	75,000	75,000	75,000	75,000	75,000
Transfers Out					
Capital Transfer	(93,925)	(100,000)	(100,000)	(100,000)	(100,000)
Increased Capital Transfers	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Total Transfers	1,071,075	910,000	910,000	910,000	910,000
Change in Fund Balance	11,286	(46,833)	(41,841)	(173,492)	(305,284)
Beginning Fund Balance	457,772	469,058	422,225	380,384	206,892
End Year Fund Balance	469,058	422,225	380,384	206,892	(98,392)



Financial Benchmarks

The revised five-year financial forecasts illustrate the seriousness of the City's financial situation. Without growth in the tax base and the generation of new revenues from economic development activity, the City will be fighting an uphill battle against the ever increasing cost of government. Even if the City is able to achieve all of the gap closing measures in full (a tall order), the revised five-year financial projections still show a negative ending fund balance in 2015. The recommendations pertaining to personnel costs could be particularly difficult to implement because they will require cooperation of unions. In fact, the City is currently in negotiations with the FOP and an arbitration award that does not produce the savings outlined in this report will require the City to take further action.

Because of the risks associated with achieving the savings associated with these recommendations, it is critical that the City monitor its finances closely and set milestones for its financial goals. Since the operating budget depends on new revenues and cost reductions from the recommendations, the City must also be prepared to take alternative steps in the case that milestones are not reached or are not reached on schedule.

If the City is not able to expand the tax base and budgetary benchmarks are not reached, more drastic action will be required. While this report already includes a modest reduction in staffing levels, the City will have to consider eliminating additional positions and reexamine spending on every line item of the budget. Though it accounts for 43 percent of the City's operating budget, this report avoids recommending staff reductions in the Police Department to support the City's efforts of making a safer, cleaner Coatesville. Reductions in the police force may be unavoidable if Coatesville's General Fund position continues to deteriorate.

As noted in the 2008 report, if finances continue to worsen without the support of new revenues, the City should consider, as a last resort, the Commonwealth's Distressed Municipality Program. The program, commonly known as Act 47, was developed to aid distressed municipalities restore their financial integrity while leaving principal responsibility of financial affairs to its locally elected officials. The program allows distressed municipalities to receive special grants, loans, and other emergency funding to assist with financial hardships and to petition for special tax increases. The Act also calls for a financial recovery plan, which helps in controlling labor and benefit costs that will eliminate deficits and avoid a fiscal emergency in the future.



Conclusion

Immediate and meaningful action is required if the City is going to balance budgets in the short-term and set the foundation for long-term fiscal stability. While the long-term solution must include economic development and expansion of the revenue base, the City must also implement initiatives to reverse the trend of widening budgetary structural imbalance.

Emerging from financial distress requires long-term dedication that will likely involve difficult and unpopular decisions. Coatesville's financial recovery will not happen overnight and achieving sustainable budget surpluses after years of operating deficits requires a substantial and disciplined commitment. Applying that commitment to the plan recommendations will set Coatesville on the road toward achieving its financial goals.

Appendix
Baseline Projection Assumptions

REVENUES	2012	2013	2014	2015
TAX REVENUE				
REAL ESTATE TAXES CURR YR	0%	0%	0%	0%
PAYMENT IN LIEU OF TAXES	0%	0%	0%	0%
REAL ESTATE TAX PRIOR YR	0%	0%	0%	0%
REAL ESTATE TAX INTERIM	0%	0%	0%	0%
REAL ESTATE PENALTY - CY	0%	0%	0%	0%
REAL ESTATE LIENS (COUNTY)	0%	0%	0%	0%
REAL ESTATE TRANSFER TAX	0%	CPI	CPI	CPI
EARNED INCOME TAX	CPI	CPI	CPI	CPI
EARNED INCOME TAX - PRIOR YR	CPI	CPI	CPI	CPI
OCCUPATIONAL PRIVILEGE TAX/LST	CPI	CPI	CPI	CPI
MECHANICAL DEVICES TAX	0%	0%	0%	0%
BUSINESS PRIVILEGE TAXES	CPI	CPI	CPI	CPI
LICENSES AND PERMITS				
CONTRACTOR REGISTRATION	3%	3%	3%	3%
TRANSIENT RETAILERS	3%	3%	3%	3%
CABLE TELEVISION FRANCHISE	3%	3%	3%	3%
STREET ENCROACHMENT	3%	3%	3%	3%
FINES FORFEITS AND COST				
VEHICLE CODE VIOLATIATIONS	0%	0%	0%	0%
VIOLATIONS OF ORDINANCE	0%	0%	0%	0%
ANIMAL RELATED FINES	0%	0%	0%	0%
PARKING VIOLATIONS	0%	0%	0%	0%
CODE VIOLATIONS/Vacant Properties	0%	0%	0%	0%
INTEREST AND RENTS				
INTEREST EARNINGS	0%	0%	0%	0%
RENT OF BUILDINGS	0%	0%	0%	0%
INTERGOVERNMENTAL REVENUE				
FEDERAL WEED & SEED	0%	0%	0%	0%
COMMUNITY POLICING	0%	0%	0%	0%
PUBLIC UTILITY REALTY TAX	0%	0%	0%	0%
ALCOHOLIC BEVERAGES	0%	0%	0%	0%
GEN MUNI PENSION	CPI	CPI	CPI	CPI
FOREIGN FIRE INSURANCE PREMIUM TAX	0%	0%	0%	0%
MISC FEDERAL GRANTS	0%	0%	0%	0%
MISC STATE GRANTS	0%	0%	0%	0%
STATE POL FINES	0%	0%	0%	0%
GEN'L GOVT	0%	0%	0%	0%
FED GEN'L GOVT	0%	0%	0%	0%
CONTRACT FOR FIRE SERVICE	0%	0%	0%	0%
CONTRACTED POL SERVICE	0%	0%	0%	0%

Appendix
Baseline Projection Assumptions

REVENUES	2012	2013	2014	2015
CHARGES FOR FEES/SERVICES				
FIRE REPORT & RESTITUTION	0%	0%	0%	0%
BUILDING PERMITS	0%	0%	0%	0%
ELECTRICAL PERMITS	0%	0%	0%	0%
PLUMBING PERMITS	0%	0%	0%	0%
USE & OCCUPANCY PERMITS	0%	0%	0%	0%
INSPECTION FEES	0%	0%	0%	0%
APARTMENT LICENSES	0%	0%	0%	0%
OTHER PERMITS	0%	0%	0%	0%
ZONING SUBDIV & LAND DEVELOPMENT	0%	0%	0%	0%
REIMBURSEMENT ENGINEERING	0%	0%	0%	0%
SALE OF BAGS MAPS	0%	0%	0%	0%
SPECIAL POLICE SERVICES	0%	0%	0%	0%
DRUG TASK FORCE REVENUE	0%	0%	0%	0%
SPECIAL FIRE PROTECT	0%	0%	0%	0%
MECHANICAL PERMITS	0%	0%	0%	0%
PARKING METERS	0%	0%	0%	0%
SWIMMING POOL FEES	0%	0%	0%	0%
CAMP FEES	0%	0%	0%	0%
COMMUNITY CENTER FEE	0%	0%	0%	0%
RECREATION FEES	0%	0%	0%	0%
CONTRIBUTIONS AND OTHER REVENUES				
CONTRIBUTIONS / DONATIONS	0%	0%	0%	0%
CONTR/DONAT - RECREATION	0%	0%	0%	0%
CONTR/DONAT - POOLS	0%	0%	0%	0%
CONTR/DONAT - CONCERTS	0%	0%	0%	0%
OTHER	0%	0%	0%	0%
SALE OF FIXED ASSET	NA	NA	NA	NA
MISCELLANEOUS REVENUE	0%	0%	0%	0%

GENERAL FUND AND DEBT SERVICE FUND

EXPENDITURES	2012	2013	2014	2015
SALARIES				
SALARIES - CITY MANAGER	3%	3%	3%	3%
SALARIES - COUNCIL PERSON	3%	3%	3%	3%
SALARIES - DEPT HEAD	3%	3%	3%	3%
SALARIES - PROF STAFF	3%	3%	3%	3%
LONGEVITY	3%	3%	3%	3%
WAGES - HOURLY EMPL	3%	3%	3%	3%
Police	3%	3%	3%	3%
Fire	3%	3%	3%	3%
Other Prof Staff	3%	3%	3%	3%
COURT TIME	3%	3%	3%	3%
OVERTIME	3%	3%	3%	3%
HEALTH INSURANCE				
HEALTH INSURANCE	10%	10%	10%	10%
OTHER BENEFITS				
FICA	3%	3%	3%	3%
EMPLR CONTR TO BENEFITS	CPI	CPI	CPI	CPI
EMPLYR CONTRIB TO 457 PLN	3%	3%	3%	3%
UNEMPLOYMENT COMP INS	3%	3%	3%	3%
LIFE INSURANCE	CPI	CPI	CPI	CPI
ST DISABILITY INSURANCE	CPI	CPI	CPI	CPI
DENTAL INSURANCE	CPI	CPI	CPI	CPI
LT DISABILITY INSURANCE	CPI	CPI	CPI	CPI
PENSION CONTRIBUTIONS				
PENSION/RETIREMENT PAY	3%	3%	3%	3%
Pension Contribution (police)	3%	3%	3%	3%
RETIREMENT ALLOCATION	3%	3%	3%	3%
Total Pension Contributions				
PROFESSIONAL/CONTRACT SERVICES				
ACCOUNTING/AUDITING SERV	CPI	CPI	CPI	CPI
BANK CHARGES	CPI	CPI	CPI	CPI
CCA LEGAL EXPENSE	CPI	CPI	CPI	CPI
CONTRACTED SERVICES	CPI	CPI	CPI	CPI
CONTRACTUAL SERV COMPUTER	CPI	CPI	CPI	CPI
CITY SOLICITOR FEES	CPI	CPI	CPI	CPI
DUES SUBSCRIPTIONS & MEMB	CPI	CPI	CPI	CPI
ENGINEERING/ARCHITECTURAL	CPI	CPI	CPI	CPI
KNIGHT CHARRETTE	CPI	CPI	CPI	CPI
LABOR LITIGATION	CPI	CPI	CPI	CPI

GENERAL FUND AND DEBT SERVICE FUND

EXPENDITURES	2012	2013	2014	2015
LABOR NEGOTIATIONS	CPI	CPI	CPI	CPI
LEGAL CHALLENGE TO PETIT.	CPI	CPI	CPI	CPI
MEDICAL/DENTAL SERVICES	CPI	CPI	CPI	CPI
SPECIAL LEGAL SERVICES	CPI	CPI	CPI	CPI
SPECIAL PROG COORDINATOR	CPI	CPI	CPI	CPI
PROFESSIONAL SERVICES	CPI	CPI	CPI	CPI
PUBLIC UTILITY SERVICES	CPI	CPI	CPI	CPI
TAXES	CPI	CPI	CPI	CPI

OTHER PUBLIC WORKS (TRANSIT)	CPI	CPI	CPI	CPI
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MATERIALS AND SUPPLIES

SUPPLIES				
MEDICINES	CPI	CPI	CPI	CPI
VEHICLE FUEL - DIESEL	4%	4%	4%	4%
VEHICLE FUEL - GASOLINE	4%	4%	4%	4%
CLOTHING & UNIFORMS	CPI	CPI	CPI	CPI
SMALL ITEMS OF EQUIPMENT	CPI	CPI	CPI	CPI
SMALL TOOLS/MINOR EQUIP	CPI	CPI	CPI	CPI
AGRICULTURAL SPPLY/CHEM	CPI	CPI	CPI	CPI
FORMS	CPI	CPI	CPI	CPI
CULTURE-RECREATION SUPPLY	CPI	CPI	CPI	CPI
PROTECT TO PERS & PROP	CPI	CPI	CPI	CPI
ANIMAL CONTROL	CPI	CPI	CPI	CPI
GENERAL GOV'T SUPPLIES	CPI	CPI	CPI	CPI
HEATING FUEL	CPI	CPI	CPI	CPI
FOOD FOR HUMANS	CPI	CPI	CPI	CPI
LUBRICANTS	CPI	CPI	CPI	CPI
OFFICE SUPPLIES	CPI	CPI	CPI	CPI
OPERATING SUPPLIES	CPI	CPI	CPI	CPI
ROAD MATERIALS	CPI	CPI	CPI	CPI
SNOW MATERIALS	CPI	CPI	CPI	CPI
STATE WEED & SEED	CPI	CPI	CPI	CPI
PUB WRKS-HIGHWAY SUPPLIES	CPI	CPI	CPI	CPI
PUB WRKS-OTHER SERV SUPPL	CPI	CPI	CPI	CPI

EQUIPMENT, REPAIRS, AND MAINTENANCE

BUILDINGS	CPI	CPI	CPI	CPI
IMPROV OTHER THAN BLDG	CPI	CPI	CPI	CPI
IMPROVE OTHER THAN BLDG	CPI	CPI	CPI	CPI
LAND	CPI	CPI	CPI	CPI
MACHINERY & EQUIPMENT	CPI	CPI	CPI	CPI
REPAIRS & MAINT SERVICES	CPI	CPI	CPI	CPI
TRAFFIC SIGNALS	CPI	CPI	CPI	CPI
STREET LIGHTS	CPI	CPI	CPI	CPI
VEHICLES R & M	CPI	CPI	CPI	CPI
VEHICLE PARTS	CPI	CPI	CPI	CPI

GENERAL FUND AND DEBT SERVICE FUND

EXPENDITURES	2012	2013	2014	2015
UTILITIES				
GAS	CPI	CPI	CPI	CPI
WATER	CPI	CPI	CPI	CPI
ELECTRICITY	CPI	CPI	CPI	CPI
MTGS/CONF (EDUCATION)	CPI	CPI	CPI	CPI
COMMUNICATIONS				
TELEPHONE	CPI	CPI	CPI	CPI
TELEPHONE CHARGES	CPI	CPI	CPI	CPI
TELEPHONE EQUIP INSTALL	CPI	CPI	CPI	CPI
TELEPHONE MONTHLY CHARGES	CPI	CPI	CPI	CPI
RADIO EQUIPMENT MAINTEN	CPI	CPI	CPI	CPI
TRAVEL EXPENSE	CPI	CPI	CPI	CPI
ADVERTISING	CPI	CPI	CPI	CPI
PRINTING	CPI	CPI	CPI	CPI
PROMOTIONAL PROGRAMS	CPI	CPI	CPI	CPI
POSTAGE	CPI	CPI	CPI	CPI
INSURANCE				
LIABILITY (CASUALTY)	CPI	CPI	CPI	CPI
PROPERTY INSURANCE	CPI	CPI	CPI	CPI
SURETY & FIDELITY	CPI	CPI	CPI	CPI
WORKERS COMPENSATION	CPI	CPI	CPI	CPI
CONTRIBUTIONS				
CONTR MAINT & REPAIR VEH	CPI	CPI	CPI	CPI
OTHER				
TO INDIVIDUALS	CPI	CPI	CPI	CPI
TO INSTITUTIONS	CPI	CPI	CPI	CPI
TO NONGOVERNMENTAL ORG	CPI	CPI	CPI	CPI
ACCIDENTAL DEATH & DISMEM	CPI	CPI	CPI	CPI
COURT COST /INVESTIGATION	CPI	CPI	CPI	CPI
ESCROW EXPENSE	CPI	CPI	CPI	CPI
ESCROW REVENUE	CPI	CPI	CPI	CPI
FIRE ESCROW EXPENSE	CPI	CPI	CPI	CPI
FEDERAL WEED & SEED	CPI	CPI	CPI	CPI
FORFEITURE	CPI	CPI	CPI	CPI
IMPROV OTHER THAN BLDGS (Saha in 10)	CPI	CPI	CPI	CPI
SUMMER CONCERT	CPI	CPI	CPI	CPI
JUDGEMENTS & DAMAGES	CPI	CPI	CPI	CPI
JUDGEMENTS AND DAMAGES	CPI	CPI	CPI	CPI
Miscellaneous	CPI	CPI	CPI	CPI
LAND EASEMENTS	CPI	CPI	CPI	CPI
PARKS	CPI	CPI	CPI	CPI

GENERAL FUND AND DEBT SERVICE FUND

EXPENDITURES	2012	2013	2014	2015
PRIOR YEAR EXPENSES	CPI	CPI	CPI	CPI
RDA EXPENSES	CPI	CPI	CPI	CPI
REFUND EXPENSES	CPI	CPI	CPI	CPI
RENT OF BUILDINGS	CPI	CPI	CPI	CPI
RENT OF IMPROV OTHER BLDG	CPI	CPI	CPI	CPI
RESIDENT/MOVING ALLOWANCE	CPI	CPI	CPI	CPI
SEWER	CPI	CPI	CPI	CPI
VACATION SELL	CPI	CPI	CPI	CPI
VEHICLE CODE VIOLATIONS	CPI	CPI	CPI	CPI
DEBT SERVICE	Fixed	Fixed	Fixed	Fixed
TRANSFERS				
CAPITAL PURCHASES POLICE	0%	0%	0%	0%
TRANS EXP FRM LIQUID FUEL	0%	0%	0%	0%
TRANSFER EXP FROM CAPITAL	0%	0%	0%	0%
TRANSFER TO OTHER FUND	0%	0%	0%	0%
TRANSFER TO RDA	0%	0%	0%	0%