City of Corry Pennsylvania

Review of Finances and Management Practices

August 2011

Step 5: Multi-Year Plan Adoption

Step 6: Multi-Year Plan Implementation

PREFACE

In 2011, the City of Corry, undertook an examination of its finances and management practices. This review followed the guidelines of the Department of Community and Economic Development's Early Intervention Program. The EIP guidelines focus on six steps:

Step 1: Financial Condition Assessment – A multi-year trend analysis of historic financial data and an assessment of current budget performance will be performed as a means to establish a realistic baseline of a local government's historic and current financial condition.

Step 2: Financial Trend Forecasting – Performed over a multi-year period, this analysis will project future revenue, expenditure, economic and demographic trends so that the local government can understand its future financial position and take action to counter act any negative trends. This step should include a review and integration of all other community and economic development plans for the local government.

Step 3: Plan for Current Fiscal Year – The Multi-Year Financial Management Plan should allow the local government to pursue both short and long-term strategies on parallel tracks.

Step 4: Management Audit – A management audit of all major departments and operations should be performed. The audit will include narrative summaries of each department compromised of budget and personnel information, as well as other relevant data. This data will be supported by interviews with each department manager and staff in order to facilitate the most comprehensive view of the local government's most critical operational needs. The audit should include a review of current and recommended technology needs and upgrades.

Step 5: Multi-Year Plan Adoption – The Plan shall include an identification of the local government's top three to five priorities. Additional prioritization to be conducted at the departmental level should be de tailed in the Plan. Each objective should contain a de tailed action plan which describes: 1) what is to be achieved; 2) the budgetary impact; 3) the timing and deadlines for each action step and 4) which employee or agency has the primary responsibility for the objective.

Step 6: Multi-Year Plan Implementation – The Early Intervention Program is an ongoing process and an adopted plan must be evaluated, adjusted and adopted anew each year.

This report is divided into four parts.

- The first part includes Steps 1, 2 and 3
- The second part includes Step 4 for the non-uniformed departments
- The third part includes Step 4 for the Police Department
- The fourth part includes Steps 5 and 6.

This project was undertaken with technical assistance of Local Government Solutions LLC of Pittsburgh and with financial assistance from the Corry Community Foundation.

August 2011

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APPROACH

There are three broad areas for improvement in local government. They are 1) increasing operational efficiencies, 2) entering into intergovernmental partnerships, and 3) engaging in economic and community development.

OPERATIONAL EFFICIENCIES

Increasing operational efficiencies can reduce cost without compromising service. Typical examples of this for local governments include contracting out tasks such as tax collection and major street repairs, where the contractor can provide the service for less than it costs to provide it in-house. Enhanced operational efficiencies can also include making sure that the accounting and tax collection software is up-to-date and that staff has the training necessary for them to do their jobs properly.

INTERGOVERNMENTAL PARTNERSHIPS

Intergovernmental partnerships and cooperation can also reduce costs without compromising service. Joint purchasing can reduce unit costs; equipment sharing can reduce capital costs; and the creation of regional resources, such as lock-ups, police forces and planning commissions can reduce duplication. Local governments that engage in intergovernmental activities may find it easier to get grant support for the activities than if they were to go it alone.

ECONOMIC AND COMMUNITY DEVELOPMENT

Economic and community development can add to the tax base and increase the number of jobs. Local governments in Pennsylvania, because they often lack the size and resources needed to have a significant impact on economic and community development, often depend on county agencies and multi-community organizations.

BEGINNING A CONVERSATION ABOUT THE FUTURE

There are a number of elements that are essential for any conversation about the City of Corry's future and the actions that are taken as a result of the conversation.

- Tough talk – Force a conversation on how the City will operate in five to ten years.

  What do City's residents expect of government and how can government meet these needs? Will City residents still receive all the municipal services directly from the City, or will some be received from regional providers?

- Yellow flags – Pay close attention to what the major tax payers and employers are doing.

  Will there be changes in the revenues from industrial and commercial tax payers? How much warning will the City receive if there is going to be a major loss in revenues?

- <u>Remodel early</u> – Start changing the operating model before it is too late.

  What can be done now to anticipate future problems?

- <u>Abandon yesterday</u> – Maintaining what no longer works can draw valuable resources away from creating the future.

  What resources can be redirected to prepare for future changes?

- <u>A new improved story line</u> – Make sure that employees, residents, and tax payer know what is going on.

  What can be done to get employees, residents and tax payers on board now?

Loosely adapted from "Rethinking Your Business," *Fortune*, October 2006

STEP V: MULTI-YEAR PLAN

Based on the results from the financial analysis and management audits, the team recommends the following five-year plan that outlines action steps and sets deadlines for activities necessary for the City's fiscal and administrative health. The plan focuses on revenue growth strategies, expenditure management, the adoption of best practices, and intergovernmental cooperation.

The five-year plan focuses on five priorities for the City as a whole and a set of action steps within these priorities. This plan should be read in conjunction with the Step 4 management audits of the departments, including the police and fire departments.

The priorities are:

- Strengthening administrative functions
- Strengthen information technology
- Maintain strong revenues
- Strengthen ties with the community
- Strengthen control over finances

For each of these priorities, the plan includes: 1) action steps, 2) outcomes for each of the action steps, 3) the time-lines for the action steps, and 4) the person or department responsible for each action step.

The plan is compatible with the City's budgeting and financial control practices so that the priorities and action steps can be incorporated into the City's budgets.

The plan is also compatible with the departmental management audit recommendations. Not all of these departmental recommendations are included in the multi-year plan as they can be implemented at the departmental level.

PRIORITY ONE: STRENGTHEN ADMINISTRATIVE FUNCTIONS

The City should develop the organizational capacity to manage the City.

ADOPT THE PROVISIONS OF ACT 75 OF 2011

Act 75 provides for the office and defines the powers and duties of a city administrator or manager.

The Council has created the position of City Administrator and given the Administrator the day-to-day responsibility of operating the City government. Act 75 amends the Third Class City Code to give city councils the opportunity to bring local managers ordinances in line with state law. The Act allows the use of the title of city administrator or city manager.

WHAT IS TO BE ACHIEVED?
Bring the City in compliance with new state law

WHAT IS THE LIKELY OUTCOME?
Continue the long-term stability in the management of the City

WHAT IS THE TIMING?
The ordinance could be enacted in 2011

WHO IS RESPONSIBLE?
City Council

REDEFINE THE ROLE OF CITY CLERK

The City Clerk's primarily responsibility is the collection of the earned income tax. With the implementation of county-wide earned income tax collection in 2012, the City has an opportunity to redefine the role of the City Clerk. New responsibilities could include:

- Serving as the Assistant Administrator
- Serving as a liaison, with the Mayor, between the City Government and the civic community
- Managing the rental registration program
- Managing the code compliance/complaint program

WHAT IS TO BE ACHIEVED?
The City Clerk position would be changed

WHAT IS THE LIKELY OUTCOME?
Continued use of valuable resources in City government

WHAT IS THE TIMING?
The groundwork could be laid in 2011 with implementation in 2012

WHO IS RESPONSIBLE?
City Council and the City Administrator

EXPAND AND DEFINE THE ROLE OF TREASURER

The Treasurer is a separately elected official with three principal functions – real estate tax collection, handling deposits and investments, and approving payments. Most elected treasurers take on additional duties. The Corry Treasurer manages the accounting system, prepares periodic financial reports, handles payroll, and assists with budget preparation. These additional duties are ad hoc arrangements that have grown while the current Treasurer has been in office.

The Department of Community and Economic Development recommends the following division of typical municipal officials' fiscal roles between council members and staff:

Council	Staff
set taxes	accounting system
set fee schedules	payroll and deductions
review existing fee schedules	legal notices
select budget items	payment on approved invoices
adopt budget	issuance of receipts
approve expenditures	petty cash fund
make investments	collection of taxes
approve borrowing	financial report
designate fund depositories	file budget and financial report
	with DCED and county court
secure bonds	filing of liens
	repayment of loans on
	prescribed schedules

DCED Fiscal Management Handbook 2003

The Government Finance Officers Association (GFOA) recommends that a public finance officer should be able to be responsible for the following functions:

- Governmental Accounting, Auditing, and Financial Reporting
- Cash Management and Investments
- Debt Management
- Operating and Capital Budgeting

- Pensions & Benefits
- Risk Management
- Procurement

The current Treasurer has some of these responsibilities. Others are handled by the Administrator and the Administrator's assistant. Combining these responsibilities in the Treasurer's office would free up other staff for other responsibilities.

LIMITATIONS
The consolidation of responsibilities in one office should still maintain a proper separation of responsibilities. The Governmental Accounting Standards Board (GASB) has set general accepted accounting procedures for local governments. Within these procedures, no single individual should have control over two or more phases of a transaction or operation. Examples of incompatible duties include:

- authorizing a transaction and receiving and maintaining custody of the asset that resulted from the transaction
- depositing cash and reconciling bank statements
- approving time cards and having custody of paychecks
- having unlimited access to assets, accounting records and computer programs, for instance having access and using checks as the source documents to post to accounting records rather than using a check log or receipts

The proper separation of duties can assist in avoiding innocent errors and the intentional misdirection of funds.

WHAT IS TO BE ACHIEVED?
A more effective use of the Treasurer's office and more time for other staff.

WHAT IS THE LIKELY OUTCOME?
Improved efficiency and effectiveness

WHAT IS THE TIMING?
The Council should begin this effort in 2011

WHO IS RESPONSIBLE?
The City Council and City Administrator

COMBINE THE MANAGEMENT OF THE PUBLIC WORKS FUNCTIONS
Currently there are three public works superintendent positions – for highways, for water, and for waste water treatment. With the retirement of the highway superintendent and the future retirement of the other two, there is an opportunity to select a candidate for highway position who can take over the duties of the other superintendents as they retire.

WHAT IS TO BE ACHIEVED?
A more effective use of the present staff and the potential for reductions in staffing costs as positions are consolidated in the future.

WHAT IS THE LIKELY OUTCOME?
Improved efficiency and effectiveness

WHAT IS THE TIMING?
The Council should begin this effort in 2011

WHO IS RESPONSIBLE?
The City Council

DEVELOP AND APPROVE WRITTEN POLICIES AND PROCEDURES

As with many governmental organizations, the City functions on the basis of institutional memory, the best efforts of individual employees, and a desire to serve the public. The City does not have institutional plans, policies and procedures in place that empower elected officials and employees to do their best. The problems arise from:

- The lack of up-to-date plans for information technology, personnel management, and other administrative matters

- The lack of current job descriptions, and operating policies and procedures

- The fragmentation of duties between employees

- The potential misallocation of human resources

These problems cannot be solved in a piecemeal fashion. There are a number of resources that the City can use, including those provided by the Department of Community and Economic Development. For example, the DCED *Public Works Manual* includes model public works job descriptions. The DCED peer-to-peer program can provide technical assistance.

WHAT IS TO BE ACHIEVED?
A clear understanding of roles and responsibilities within the City government

WHAT IS THE LIKELY OUTCOME?
Improved efficiency and effectiveness

WHAT IS THE TIMING?
The Council should begin this effort in 2011

WHO IS RESPONSIBLE?
The City Council

PRIORITY TWO: STRENGTHEN INFORMATION TECHNOLOGY

The use of technology in government has been called e-Government. Internally, e-Government can help realize cost savings and greater operational efficiencies through better management of information. Externally, e-Government can provide online government solutions that allow the public to interact quickly and easily with local government.

MANAGING INFORMATION

The development of software solutions for local government began with the development of accounting software to replace paper record keeping, transactions, and reporting. Since the first accounting packages were introduced decades ago, vendors have developed modules that cover everything from accounting to handling constituent complaints.

To take advantage of the solutions, the City should:

- Designate a technology manager for the City. The manager could be an outside contractor
- Develop a vision for the use of technology in City government
- Develop a long-range technology plan to implement the vision
- Select hardware and software based on the plan
- Establish policies and procedures for technology use
- Limit access to data to those employees who need the data
- Provide training to all staff in the use of the technology
- Provide user support
- Regularly review the security policies and test security measures
- Develop a disaster recovery plan
- The plan should address immediate issues
    - The Police department and the mobile data entry systems
    - Remote access to waste water treatment systems
    - The accounting software
    - A code enforcement package
    - Access to email and internet in all departments

The City may not have the resources to implement all of the elements in the plan. The plan should, however, provide guidance in all technology purchases. This will avoid uncoordinated investments in technology.

Because the technology that is available is constantly changing, the technology plan should be reviewed as part of the annual budget process. Funding strategies include approaching State senators and representatives for small technology grants. The City can submit DCED application to the legislators for amounts of $5,000 to $10,000. The US Department of Justice has been a dependable source of funding through the C.O.P.s program.

ELECTRONIC GOVERNMENT

The City of Corry is currently participating along with the other municipal governments in the Erie County Broadband, eGovernment and Technology Assessment Project. This project is sponsored by The Northwest Pennsylvania Regional Planning and Development Commission, the Technology Council of Northwest Pennsylvania, and the Erie Regional Chamber and Growth Partnership, through a Broadband Outreach and Aggregation Fund grant from the Pennsylvania Department of Community and Economic Development.

The goal is to devise plans for assisting the governments to manage electronic information and conduct electronic government related activities that the municipalities can accomplish individually and collaboratively.

Under this project, each municipality is provided an assessment of their electronic government status. The assessments have been followed by facilitated small group sessions of governmental officials, secretaries, public works directors, zoning officers, and others, for brainstorming specific objectives. For example, emphasis has been placed on internal (intranet) communications within and among the governments, and also external (internet) communications to the public. An important result already in use is the posting, meeting management and information sharing presently being done electronically by the Erie County Tax Collection Committee.

Other examples to be developed include a unified governmental calendar, public works equipment sharing program, and meeting and document management for the municipal governments and intergovernmental organizations such as the Erie Area Council of Governments, Erie County Associations of Boroughs, Erie County Association of Township Officials, Erie County Local Government Secretaries Association, Erie County Public Works Group, Erie County Zoning and Code Enforcement Officials Association, Northwest PA Tri-County COG, and others.

Training for Microsoft Office products is also currently being provided free of charge to municipal officials and employees.

The City of Corry will also soon have the opportunity to participate in a Microsoft SharePoint 2010 demonstration project sponsored by the Erie Area Council of Governments. Once implemented over the next year, the City will obtain SharePoint intranet capabilities for its internal communications needs and with the intergovernmental groups to which it belongs.

The Erie County Broadband, eGovernment and Technology Assessment Project, with the eGovernment initiatives of the Erie Area Council of Governments, can go a long way in assisting the City of Corry to modernize its internal and external communications in an internet based environment. The City of Corry is strongly encouraged to take fullest advantage of these opportunities to improve its operations and obtain efficiencies through electronic enhancements.

WHAT IS TO BE ACHIEVED?
Increases in internal efficiencies and better public access

WHAT IS THE LIKELY OUTCOME?
More efficient use of staff time. The capacity to take on additional activities without taking additional time

WHAT IS THE TIMING?
The effort should begin in 2011 with a review of the current systems. Planning, seeking funds and implementation should begin in 2012

WHO IS RESPONSIBLE?
The City Administrator, Treasurer, department heads and City Council

PRIORITY THREE: MAINTAIN A STRONG REVENUE BASE

The City has a relatively strong and diverse revenue portfolio. The priority is to maintain and strengthen this portfolio so that the City will be able to provide services to the City's residents and businesses.

IMPROVE REAL ESTATE TAX COLLECTIONS
Corry, as with many third class cites and older boroughs, has a low real estate tax collecting rate. Fortunately the City gets most of the revenues in the end as the delinquent collection rate is good.

There are a number of steps that can be taken to improve collections. The City should:

- Monitor appeals and transfers that could lower assessments
- Partner with the school district in challenging reductions
- Keep track of the ten largest taxpayers as reductions in this group could have a significant impact
- Indentify and monitor chronically delinquent property owners

WHAT IS TO BE ACHIEVED?
An increase in real estate tax revenues

WHAT IS THE LIKELY OUTCOME?
Each one percent increase in the collection rate can generate an additional $16,000 in revenues

WHAT IS THE TIMING?
The effort should begin in 2011 with the expectation that revenues can improve in 2012

WHO IS RESPONSIBLE?
The Treasurer and City Council

SET WATER AND SEWER RATES AT APPROPRIATE LEVELS
This will make it possible for the enterprise funds to continue to provide support for the General Fund while maintaining strong balances.

WHAT IS TO BE ACHIEVED?
The City should review its fee and charge structure to insure that the charges and fees cover all of the costs associated with the charges and fees including all overhead costs

WHAT IS TO BE ACHIEVED?
The enterprise funds will continue to provide funds to the general Fund

WHAT IS THE LIKELY OUTCOME?
The City will be able to limit its dependence on tax revenues.

WHAT IS THE TIMING?
Beginning with the preparation of the 2012 budget

WHO IS RESPONSIBLE?
City Council and the City Administrator

SET OTHER CHARGES AND FEES
Fees, charges and departmental earnings provided 13 percent of the City's revenues in 2010. These fees and charges should be sufficient to cover the costs of the activities associated with the fees including direct and indirect over head costs.

The City should review both the level of the charges and fees themselves and the scope of the activities that result in charges and fees. The objective should be to have the costs that could be incurred by the City covered with fee and charge revenues.

FEE LEVELS
Fee levels should be set to capture the staff time, overhead and any unusual costs associated with the activity. The hourly cost of staff time is the regular pay divided by the number of hours worked per year. The number of hours worked is usually set at 1,800 hours.

A possible overhead calculation can be based on total 2010 expenses less transfers to other funds, capital construction, grants and subsidies, contract refuse service costs, and CDBG program expenses. This reduced total approximates the ongoing expense associated with the activities of City staff. Salaries and wages made up about half of this reduced total. The overhead associated with the activity made up the other half. The calculation then is that overhead equals salaries and wages. This overhead rate is typical of service organizations.

> Total hourly cost = employee's regular salary times 2 divided by 1,800 hours

Any unusual cost for equipment and materials can be added to the hourly cost. For example, if an employee makes copies, the cost is the hourly rate plus the cost of paper and toner.

SCOPE OF FEES
The City should assess fees for all of the activities that result in services. The City should:

- Implement a rental registration program with regular health and safety inspections

- Bill insurance companies for fire calls
- Expand the scope of fire inspections and fees
- Implement a more aggressive code enforcement program

WHAT IS TO BE ACHIEVED?

The City should review its fee and charge structure to insure that the charges and fees cover all of the costs associated with the charges and fees including all overhead costs.

WHAT IS THE LIKELY OUTCOME?

General government, public safety, and parking fees, permits and departmental earnings generate over $550,000 each year. If these are adjusted upward annually at an average increase of three percent to cover inflationary cost increases, the City could generate an additional $16,500 each year. If some fees and charges are currently below cost and are adjusted upward, the City will receive additional new revenues. Some of the earnings are set by others. The winter service agreement is set by the Commonwealth and the reimbursement for the Treasurer is set by the Erie County government. Other rates are in the hands of the City. These include the solid waste fees.

Billing for fire services could generate an additional $11,000; and rental inspection fees, $25,000 to $50,000 a year depending on the frequency of inspections.

WHAT IS THE TIMING?

Fees, permits and departmental earnings should be reviewed at least every other year to keep them current with the City's costs. This can be done as part of the budgeting process.

WHO IS RESPONSIBLE?

The City Council and City Administrator with the assistance of department directors

OVERSEE EARNED INCOME TAX COLLECTIONS

Next year will bring a countywide earned income tax collection. Currently, the City's collections are managed by a joint committee with the School District. The arrangement with the School District allows the City to receive two-thirds of its revenues in the first few months of the year. This will no longer be possible. There also may be some delays between pay check withholding and the distribution to the municipalities. Fortunately, the Erie County Tax Collection Committee has taken the advantage of the option to require distributions every month, not every quarter. The City should support strong oversight by the Tax Collection Committee to make sure that the proper withholding will reach the City.

WHAT IS TO BE ACHIEVED?

The City should insist on receiving detailed information from the outside tax collector so that the City can verify if the tax receipts are accurate and timely.

The City should support efforts by the Tax Collection Committee to make sure that tax collections are being done correctly.

WHAT IS THE LIKELY OUTCOME?
The performance of outside tax collection agency should be acceptable.

WHAT IS THE TIMING?
The City should continue with its current efforts.

WHO IS RESPONSIBLE?
The City Administrator and the City Clerk

IMPLEMENT A BUSINESS REGISTRATION PROGRAM
The City should adopt a business registration program to assist in making sure that all employers and self-employed individuals in the City are withholding and remitting earned income and the local services taxes. It is of particular importance to identify smaller business, sole proprietors and self-employed residents.

WHAT IS TO BE ACHIEVED?
The City will be able to identify all potential business taxpayers..

WHAT IS THE LIKELY OUTCOME?
There should be an increase in the number of taxpayers and in tax revenues.

WHAT IS THE TIMING?
The City should implement the program in 2012.

WHO IS RESPONSIBLE?
The City Administrator and the City Clerk

PRIORITY FOUR: STRENGTHEN TIES WITH THE COMMUNITY

COMMUNITY LIAISON
In Corry, as in all of Pennsylvania, the activities of the local municipal governments and of the civic organizations should be centered on the idea of complete regions and interconnected communities to achieve common goals. Proactive cooperation and collaboration for coordinated activities can go a long way to support a healthy City and region.

The Corry area community and the City of Corry are very fortunate to have many community minded individuals and active civic organizations. These individuals and groups support the City and region in improving its vibrancy and quality of life. This participation provides City government with outstanding opportunities to develop and implement programs which it could not otherwise undertake.

The City should proactively continue to take fullest advantage of these groups by encouraging, supporting collaborative partnering to advance joint goals and objectives. In order to do this effectively the City Council should:

- Work closely with the community groups and organizations to achieve common goals and objectives
- Designate the Mayor or a member of City Council to be a direct liaison with the community groups and organizations and report to Council as a whole through an agenda item on this topic at each public meeting of Council
- Dedicate a portion of a professional employee's time - either the City Administrator or a person reporting to the City Administrator - to be the principal interface and expediter for joint programs and projects
- Welcome, encourage and request presentations at public meetings from the various community groups and organizations

Much of this collaboration is already in place. Elected officials and the staff already serve on boards, commissions and intergovernmental organizations. Designating an elected official and member of staff to be the first point of contact can improve this collaboration.

WHAT IS TO BE ACHIEVED?
Closer ties with civic and community groups

WHAT IS THE LIKELY OUTCOME?
A more productive use of volunteer resources

WHAT IS THE TIMING?
The ground work can be laid in 2011 with program implementation in 2012

WHO IS RESPONSIBLE?
City Council

RENTAL REGISTRATION
Rental registration programs are particularly useful in municipalities with aging housing stock and a high percentage of rental units.

Rental registration programs can achieve two goals. The first is to identify the residents in rental properties. This complements the information that is already available for owner occupied properties. The second it to protect the health and welfare of tenants by making sure the rental units are up to code.

The programs should be used as code enforcement tools for rental properties. When the programs are coupled with inspections, they encourage landlords to properly maintain rental properties, protect the health and safety of renters, and protect the rights of the landlords.

The City already collects tenant information for taxation purposes. Water and sewer bills are in the tenant's names and landlords have to register tenants once a year. This data base would be useful in the development of a rental registration program.

With fees set at the appropriate level, the program should be self supporting.

WHAT IS TO BE ACHIEVED?
Improvements in the rental housing in Corry

WHAT IS THE LIKELY OUTCOME?
Long term improvement in Corry, particularly in residential sections

WHAT IS THE TIMING?
The groundwork for the program can be laid in 2011 with program implementation in 2012

WHO IS RESPONSIBLE?
City Council and the City Administrator

CODE ENFORCEMENT

Code enforcement can be an important element in the development of a community as an attractive place to live, work and play.

The City should expand the present code enforcement program. This can be done by adding a full time code officer or by using firefighters as code inspectors. The City should also purchase and install code enforcement software to manage the program.

There are a number of steps that could be taken to improve code enforcement and to make the City a more attractive place to live, work and play.

- The staffing should be increased by appointing a full-time inspector, by using firefighters as inspectors, by contracting for portions of the program with an inspection firm, or with a combination of these approaches.

- A proactive fire inspection program should be initiated.

- The tenant registration program should be put in place to improve effectiveness and increase revenue.

- A fee structure should be established that will allow the City to recover the costs of the expanded program.

Any expansion of the duties of the department should be accompanied by changes in the fee schedule to make the new initiatives self-supporting.

WHAT IS TO BE ACHIEVED?
The adoption of these recommendations would allow the City to expand and improve upon the current program without a net increase in costs.

WHAT IS THE LIKELY OUTCOME?
A self-sustaining program directed at improving the community

WHAT IS THE TIMING?
The changes should be considered as part of the 2012 budget.

WHO IS RESPONSIBLE?
The City Council, the City Administrator and department heads

INTERGOVERNMENTAL COOPERATION INITIATIVES
Pennsylvania has a long tradition of using the large number of municipal governments to deliver local government services. This has implications for the cost and quality of local services, especially since there is increasing pressure to provide more service at less cost. Closely related are decisions related to which governmental entity is best able to provide a particular service and whether some local entities are capable of continuing effectively in their present form.

In the July 2006 IssuesPA/Pew Poll, participants said local governments should work together, not separately. Specifically, there was consensus that local governments should work together more and have common regional plans for land use and development. Nearly 70 percent surveyed said local governments should work together, rather than independently, on land use and development issues. (*IssuesPA.org*)

Intergovernmental cooperation is crucial to the City's future. Much of the local growth and development is outside of the City limits. The City provides emergency services to these areas through mutual aid agreements. The City is also the host of a number of services that are used by residents and non-residents alike. These include the hospital, the library, parks, churches, schools and the City's business district. The City is providing these regional services with a local tax base.

Increased cooperation between the City and the neighboring townships holds out the prospect of improved services and lower costs on both sides of the City line. The intergovernmental partnerships should include increased use of the Northwest Tri-County Council of Governments and other existing partnerships, and increased cooperation with neighboring municipalities with equipment sharing, service sharing, and even consolidated functions.

WHAT IS TO BE ACHIEVED?
Improved services at a potentially lower cost

WHAT IS THE LIKELY OUTCOME?
A culture of cooperation with neighboring communities as well as with other organizations

WHAT IS THE TIMING?
On-going

WHO IS RESPONSIBLE?
City Council and the City Administrator

LEGISLATIVE INITIATIVES
Local governments in Pennsylvania including cities, counties and special districts are 'creatures' of the state government. The restrictions imposed by the Legislature can be onerous for municipalities. There are some legislative reforms that could be an essential part of the fiscal recovery of the City.

WHAT IS TO BE ACHIEVED?
The following reforms should be advocated by the City.

- Legislation that would create uniformity of assessments throughout the Commonwealth is essential for economic development and fair property taxation. The legislation should provide for regular reassessments and the use of current fair market value for taxation purposes.
- Act 111 controls the collective bargaining process for police and fire employees. The legislation must be amended to recognize the municipality's ability to pay in the arbitration process. Currently this is the case only in Act 47 municipalities. The legislation must be amended to create level playing field that would lead to a negotiated settlement short of arbitration. Currently there is no advantage for labor to stop short of arbitration.
- The Commonwealth of Pennsylvania has granted property tax exemptions to non-profit, public education, and religious institutions. Municipalities are unable to tax these institutions but are still required to provide them with services. The legislature should provide programs that use state funds to provide at least partial reimbursement for these services.

WHAT IS THE LIKELY OUTCOME?
These legislative changes would make it easier for the City to tend its own business, improve revenues, and hold down costs.

WHAT IS THE TIMING?
This should be an on-going initiative

WHO IS RESPONSIBLE?
City Council

PRIORITY FIVE: CONTROLLING FINANCES

OPERATING PROCEDURES
The City should develop standard operating procedures and job descriptions for financial matters and other functions. There are currently no operating procedures for finance. These procedures should cover

- A code of conduct

- Accounting for revenues, expenditures, assets and liabilities

- Procedures for

  - Accounts payable, including payroll

- o Purchasing and inventory management

- o Accounts receivable including grants, taxes, fees, fines, departmental changes and intergovernmental revenues

- o Monthly and annual reporting for all funds

- o Handling cash deposits and parking meter revenues

- Administrative procedures including record keeping, filing and forms

- Internal controls

- Cash management

- Separation of duties

- Risk management

- Investing

- Auditing

WHAT IS TO BE ACHIEVED?
The City will be in a better position to handle its finances

WHAT IS THE LIKELY OUTCOME?
Coupled with the greater use of information technology, clear operating procedures can lower costs and improve service.

WHAT IS THE TIMING?
The process should begin in 2012 with a target date for completion in 2013

WHO IS RESPONSIBLE?
City Council, the Treasurer, and the City Administrator

BUDGETING
The City should develop a process for preparing, adopting and implementing the budget. The process should include

- A Budget Calendar

- Budget guidelines and instructions for department heads in budget preparation

- Mechanisms for coordinating budget preparation and review

- Procedures to facilitate budget review, discussion, modification, and adoption

- Opportunities for citizen Input

As part of the budget process, the City should develop

- Three to five year revenue and expenditures projections based on the current level of operations and anticipated changes in operations

- A separate capital budget that identifies equipment replacement and infrastructure repair goals and objectives

The budget should include a budget narrative that identifies

- Program goals and objectives

- Major issues that are facing the City

- The role that the City's government can play in tackling the issues

Once the budget has been adopted, it should be used to control activities. The City should monitor, measure, and evaluate

- Program performance – how well is the City doing in reaching its program goals and objectives

- Budgetary Performance - how well are actual revenues, expenditures, cash flows and fund balances staying within budget

- Financial Condition what is the long-term health of the City including the community's general social, demographic, and economic conditions

- External Factors – what changes have occurred that can have an impact on performance

WHAT IS TO BE ACHIEVED?
The budget can be used as a tool for controlling revenues and expenditures

WHAT IS THE LIKELY OUTCOME?
The City will be in a better position to handle its finances.

WHAT IS THE TIMING?
The process should begin in 2012 with a target date for completion in 2013

WHO IS RESPONSIBLE?
City Council, the Treasurer and the City Administrator

DEVELOP A LONG RANGE CAPITAL PLAN
The plan should consider both equipment needs and the City's facilities. Long range capital plans typically identify equipment replacement schedules, facility repairs and renovations, road and bridge repair, and the sources of funding for these activities. These plans can help avoid debt.

The City already transfers funds from the General Fund to two other funds for streets repairs and vehicle replacements.

The City has developed plans for paving programs in the past. These plans have been developed with the assistance of the City engineer. Unfortunately, the plans have been put on hold due to a lack of funds.

Another capital project that has been discussed for some time is the possible changes in the fire stations. Three options have been proposed. They are:

- To maintain two stations
- To consolidate all equipment in one station
- To build a larger station

The department's standard of cover and the ability of the department to meet the standard should be considered in all building scenarios. This should include the impact of potential rail traffic on response times.

The two stations, although they are far from new, seem to be reasonably well maintained. Together, they can hold the department's equipment. A new station, however, would provide the department with an up-to-date facility that could house any future equipment.

Closing one station would not produce significant saving without reductions in staff. To maintain the department's standard of cover, there should be two on-duty firefighters. Staff reductions may not be possible.

The cost of constructing a new station and disposing of the present stations would probably eliminate any savings.

If a decision is made to build a new station of renovate one of the existing stations, the department should do a review the public safety needs of the community and the equipment and staffing needed to respond to these needs.

WHAT IS TO BE ACHIEVED?
The capital budget can identify future needs and the means for meeting these needs

WHAT IS THE LIKELY OUTCOME?
The City should be able to reduce or avoid dependence on debt.

WHAT IS THE TIMING?
The process should begin in 2012 as part of the development of the 2013 budget.

WHO IS RESPONSIBLE?
City Council and the City Administrator

POLICE DEPARTMENT COSTS

The Corry police department, as with many small city departments, is expensive. Because there are no neighboring departments, there is no real opportunity to reduce the size of the department through mutual aid agreements. There are, however, changes that could be made.

- Using the weighted formula recommended by DCED, there are only six officers needed to handle the call volume of the City. However, with the location of the city and its isolation from municipalities that can supply backup when needed, it is recommended that a full time equivalency of 10 officers be maintained so there is no less than two officers on shift at all times. The need for two *full-time* officers per shift should be evaluated to allow the use of *part-time* officers.
- The City should evaluate the use of two clerks in police office: There is duplication of report writing – the officers write reports and the clerks type reports. The clerks are still answering local calls for emergencies when those calls should not be answered but a voice response should advise to call 911. No emergency calls should be taken by the clerks or the police office/officers. They are answering general information calls for the City that should be eliminated. With these changes, there may be a need for only one clerk.
- The department should change to mobile data entry systems. This will eliminate a lot of paper forms and report entering by clerks. This will permit the officers to enter their reports while in the vehicle and actually be more visible to the general public. It will also help with the ability of the officers to get real-time information about serious calls and add to their overall safe performance of patrol functions. This change should be one of the highest priorities of the City.
- The City should fully use the Erie County 911 system to eliminate duplication of efforts.

WHAT IS TO BE ACHIEVED?
A more efficient and effective use of the City's resources

WHAT IS THE LIKELY OUTCOME?
Reductions in the reliance on full-time police officers and a reduction in the number of clerks could save the City over $50,000 a year.

WHAT IS THE TIMING?
The issue of part-time officers should be included in the current labor negotiations. Reductions in staff can be accomplished over time with attrition and reassignments.

WHO IS RESPONSIBLE?
The City Council City Administrator and Police Chief

OVERTIME COSTS

Overtime can be scheduled to cover vacations and other leaves, and it can occur in response to external events such as a heavy snow fall.

The City should keep track of overtime as a means of controlling costs.

WHAT IS TO BE ACHIEVED?
Over time costs could be reduced.

WHAT IS THE LIKELY OUTCOME?
There could be some savings and more efficient use of personnel. If the savings are equal to fire percent of the public works and public safety wage and salary expenditures, the savings could be $50,000 a year.

WHAT IS THE TIMING?
The problems with overtime costs should be addressed in the preparation of the 2012 budget.

WHO IS RESPONSIBLE?
City Council and the City Administrator

EMPLOYMENT COSTS
In 2010, labor costs, including wages, salaries and benefits made up 44 percent of the City's General Fund expenditures. Unfortunately, the City has only limited ability to control these costs. The increases in the cost of health insurance are being felt by almost all employers. The City has been able to negotiate increased health insurance deductibles. The City Administrator should continue to work with employees to control these costs.

HEALTH BENEFITS
The employer contributions to health insurance costs make up about over half of the total benefit costs. The City offers medical, dental, vision and health insurance to all full time employees.

There is a growing trend toward requiring employees to cover a portion of the benefit costs. The International City/County Management Association surveyed municipalities with populations of 2,500 or more on health care plans in 2002. The survey revealed that 99.5 percent of the 3,101 municipalities that responded offer health insurance. Only 62.3 percent offered health insurance to retired employees. Fewer than half, 44.7 percent, did not require a premium contribution from union employees. Over half of the municipalities said that they were either likely to increase the premium paid by employees (47.1 percent) or that they were going to pay more (11.9 percent) in the next two years. (ICMA, Health Care Plans for Local Government Employees, 2002)

A 2006 Federal survey of private sector employers found that 62 percent of the employers offered health care benefits to current employees. Seventy-five percent of workers participating in a care plan made a contribution to plan premiums for single coverage and 87 percent for family coverage. The average contribution for single coverage was 18 percent of the premium, and for family coverage, it was 30 percent of the premium. (Bureau of Labor Statistics, National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2006)

In the last contract negotiations employees agreed to increase their contribution to health care costs with higher deductibles. Employees already pay a part of the premium cost.

WHAT IS TO BE ACHIEVED?

The City should consider additional employee contributions to health care as labor contracts come up for renewal. It is not unusual for employees to pay at least ten percent of health care insurance premiums.

The City should determine which employees have adequate health insurance from another source such as a spouse or a second job. The City should encourage these employees to opt out of the City's health benefits.

WHAT IS THE LIKELY OUTCOME?

As health care insurance costs are likely to increase at a rate of eight to 12 percent per year, any changes in health care coverage and premium sharing can have a significant impact on future costs. An additional contribution equal to five percent of the health insurance premiums could generate $30,000.

WHAT IS THE TIMING?

Discussions with the employee bargaining units should begin in 2011.

WHO IS RESPONSIBLE?

The City Council and City Administrator

LABOR CONTRACTS

The City has been able to hold the line on total wages and salaries. There are, however, limits to how far the City can go without staff cuts. The City must be able to control wage and salary expenses with unionized employees.

WHAT IS TO BE ACHIEVED?

All new labor agreements should not contain, require or provide for any of the following:

- New overtime or premium pay requirements;
- Any increase in overtime or premium pay requirements;
- New benefits;
- Any improvements in existing benefits;
- Any new paid or unpaid leave;
- Any improvements to existing paid or unpaid leaves;
- Any additional pay for time not worked;
- Any improvements in existing pay for time not worked;
- Any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same;
- Any new benefits for retirees or other inactive employees (e.g., those in lay-off or disability status);
- Any improvements in existing benefits for retirees or other inactive employees;
- Any other term or provision which adds any new or additional restrictions on the City's management rights;

- Any provision for minimum staffing levels; and
- Any provision which restricts or impairs the City's ability to affect a layoff or other reduction in its workforce.

WHAT IS THE LIKELY OUTCOME?
The City will limit labor cost increases to increases for time worked

WHAT IS THE TIMING?
Discussions with employees should begin as the contracts come up for renegotiation

WHO IS RESPONSIBLE?
The City Council and City Administrator with the assistance of either the City solicitor or a labor attorney

SAFETY AND TRAINING
Proper training can increase productivity without increasing costs. It can also reduce the number of injuries and lost time. The City already has an active safety program.

WHAT IS TO BE ACHIEVED?
All staff should have the training, support, and information they need for the most positive and effective use of the equipment and other resources of the City. When there is a change, whether it is a new piece of equipment or a change in procedures, the City should provide the training that is necessary to take advantage of the change.

WHAT IS THE LIKELY OUTCOME?
More productive employees

WHAT IS THE TIMING?
This should be ongoing

WHO IS RESPONSIBLE?
The City Administrator and department heads

OUTSOURCING
The City should subject all of its functions to a "yellow page" test. If there are public and private providers that can deliver the same or a better level of service at a lower cost, the City should examine the feasibility of using such providers to deliver the service. In the business world this is often referred to a "make or buy decision."

WHAT IS TO BE ACHIEVED?
The City should review the services that it provides on a regular basis to determine if the services are being provided in a cost effective fashion.

There are a number of immediate opportunities for potential cost savings. They include the increased use of joint purchasing and equipment sharing with neighboring communities, and the use of lock box arrangements for tax and revenue collections

WHAT IS THE LIKELY OUTCOME?
Long-term savings can be produced by regularly testing each function to determine if it should be provided in house or turned over to other public or private providers.

The City may be able to improve services without increases in costs.

WHAT IS THE TIMING?
The City should review all major functions on an annual basis as part of the preparation of the following year's budget.

WHO IS RESPONSIBLE?
The City Administrator and department heads

As there is a contracting out article in the AFSCME contact that protects current workers from being laid off as a result of contracting work out, the emphasis should be on using current employees more effectively.

POTENTIAL IMPACT OF RECOMMENDATIONS

The recommendations in this report cover a wide range of activities. Not all of them are directed at either increasing revenues or reducing costs. Many are directed at improving the effectiveness of current operations and the services provided to the residents of the City.

The projections provided in the second part of this report indicate that without any changes, the City would have a shortfall of $545,221 in 2016. The projections assume that the City will be able to take advantage of the County's real estate reassessment in 2013 and increase property tax revenues by up to 10 percent. The shortfalls in the next two years may not be great, but they will begin to balloon beginning in 2014 as the lack of increased tax revenues and cost inflation begin to catch up to the City.

Revenue and Expenditures Projection

	2011	2012	2013	2014	2015	2016
Revenue	3,758,400	3,767,628	3,968,391	4,020,356	4,075,830	4,135,119
Expenditure	3,757,000	3,913,137	4,086,158	4,269,435	4,468,522	4,680,341
Surplus (Deficit)	1,400	(145,509)	(117,767)	(249,080)	(392,692)	(545,221)

City officials should keep in mind that controlling deficits is a year-in, year-out process. Each year as the City prepares its budget for the following year, the Council and staff will have to struggle to

find a combination of additional revenues and savings to balance the budget. These additional revenues and savings will be carried forward to become part of the solution in subsequent budgets.

The financial impact of many of the recommendations will not be immediately known. For example, additional training should improve employee productivity, but the cost savings are difficult to estimate. In addition to this, for some changes there may not be significant cost savings. The pay-off may come in improved levels of service.

It is possible to estimate the financial impact of some of the recommendations. These recommendations can provide significant reductions in the short falls before 2016. The potential impact of these recommendations, while significant, is not enough to erase the projected deficits in 2016. In addition to this, if the implementation of the recommendations is delayed, the positive impact will be less.

Potential Revenue Increases
Impact of Additional Revenues and Expenditure Reductions

		Potential Amount	
Expenditure reductions			
Consolidate superintendents 'positions		100,000	
Changes in Police staffing		95,000	
Control over overtime costs		50,000	
Increased revenues			
Increase RE collection rate by one percent		16,000	
Adjust fees upward by three percent a year		16,500	
Increase fire and accident billing		11,000	
Rental inspection fees	25,000	to	50,000
Increase in employee contribution to health care		30,000	
Total Potential Amount	343,500	to	368,500

Some of these revenues increases and expenditure reductions are based on assumptions that may not hold true. For example, the reductions in overtime costs assume that better controls can reduce total public safety and public works pay are five percent of salaries and wages. Changes in Police staff could require changes in the collective bargaining agreement. Others, such as adjusting fees upward are entirely in the control of the City.

This report also recommends some actions that could increase costs. The addition of a code enforcement officer and the implementation of information technology improvements will require initial investments. In the longer term, however, these expenditures may increase the effectiveness of the City's government. This, in turn, could reduce other costs and increase revenues.

The City may have to consider other steps, including using reserves, tax rate increases, and the use of one-time revenues and staff reductions to balance future budgets. The expiration of the current labor contracts may offer an opportunity for additional savings.

In addition to this, some of the other initiatives such as the rental, business and property registration programs, and cooperation initiatives with neighboring municipalities could generate both additional revenues and cost savings.

Finally, as the City grapples with each budget, it will find ways to match revenues and expenditures. The changes made each year, as they are carried forward, will reduce the projected deficits in future years.

STEP SIX: FIVE-YEAR PLAN IMPLEMENTATION

The five-year plan should become institutionalized in the City's government.

THE IMPLEMENTATION TEAM

The City Council should appoint a team to implement the plan.

- Appointment of an implementation manager. The Administrator would be the logical choice as implementation manager as many of the actions will have to be directed by the Administrator.

- Appointment of an implementation team made up of City officials including Council members and community volunteers based on the major action steps in the plan.

  Inclusion of private sector counterparts to work with the implementation team would provide expertise that the government staff may not have and encourage community buy-in.

- The implementation manager and team should be staffed so that there can be systematic follow-up on all of the actions. The staff could be drawn from existing City staff or interns from local colleges could be used.

- A regular reporting schedule that tracks both action step progress and financial results should be followed. The reporting should be done both on a quarterly and annual basis. The reporting could involve the private sector partners in the reporting process.

THE QUARTERLY REPORT

Four times a year, the implementation manager should submit a quarterly report at a public meeting of the City Council. At a minimum, the content of this report should:

- Identify the plan recommendations that have been accomplished;

- Recognize those employees and individuals who contributed to their attainment;

- Identify plan recommendations that have fallen behind scheduled implementation;

- Identify the most likely obstacles that are impeding implementation; and

- Propose a revised implementation schedule to bring objectives back on track.

THE ANNUAL REPORT AND UPDATE

Annually, on or around September 1, the implementation manager should submit an annual report on the financial state of the government. The report would also update the plan by adding another year to the projections and actions. At a minimum, the content of this report should:

- Summarize the successes and failures identified in the quarterly reports;

- Assess, through trend analysis, the overall changes that are occurring in the community that may have significant fiscal impacts on the government's budget;

- Extend the financial projections for an additional year to enable the City to look forward five years;

- propose new strategies that need to be taken to aid the government's return to fiscal solvency;

- Overview the long-term infrastructure needs of the community and propose financing and debt management strategies to address those needs;

- Set broad fiscal goals for the upcoming annual budget of the government;

- Assess and identify opportunities for regional cooperation with local governments, the county, and the Commonwealth; and

- Amend the multi-year plan adding the new and revised objectives. Each new or revised objective should identify:

  - Outcomes

  - Who should have the primary responsibility for the objective

  - The timing and deadlines for each action step

  - The budgetary impact

Development and submission of the annual report that summarizes the quarterly reports and provides a broad overview of the financial situation facing the City can serve as the guidebook for development of the next year's operating budget. This annual report must proceed or coincide with the annual budget process and should be used by the City in the formation of the budget for the ensuing year.