

City of Corry

Review of Finances and Management Practices

Summary of Findings and Recommendations

Alan R. Kugler
PA Futures
4636 West Lake Road
Erie, Pennsylvania 16505
Phone: 814-881-4155
alankugler@pafutures.org
www.pafutures.org

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During the summer of 2011, Local Government Solutions LLC, with the assistance of PA Futures, conducted a review of the finances and management practices of the City of Corry, PA. The review followed the guidelines of the Commonwealth of Pennsylvania, Department of Community and Economic Development's Early Intervention Program (EIP). The project was financed by a grant to the City from the Corry Community Foundation.

This document is a summary of the report's major findings and recommendations. The full narrative and more information can be found in the report, on-line at (http://www.corrypa.com/corry_eip.htm).

Step 1: Financial Condition Assessment

- **Finding 1** The City has not used one-time revenues to balance budgets.
- **Finding 2** There is little growth in the real estate tax base in the City since the 2003 Erie County-wide reassessment. The 2013 reassessment should provide some relief.
- **Finding 3** The City's real estate tax millage in 2005 was lowered to 6.6 mills from the 2004 rate of 6.85 mills with the introduction of a \$20 emergency and municipal services tax. Since 2007, the rate increased to 7.25 in 2008, to 7.55 in 2009, and to 8.85 in 2011.
- **Finding 4** The local services tax was introduced in 2005 at \$20 to replace the \$10 occupation privilege tax. It was increased to the \$52 limit in 2006.
- **Finding 5** The City collects fees for residential and commercial solid waste disposal provided by a contractor. The income from the collections has exceeded the direct cost.
- **Finding 6** The City has used about \$300,000 each year from the enterprise funds (Water, Sewer and Golf). This is the City's fourth largest revenue source after the real estate taxes, Act 511 taxes, and

refuse collection. These transfers, however, are depleting the balances in the enterprise funds. They should be matched with water and sewer rate increases.

- **Finding 7** The City has used the General Fund as a pass through for the Community Development Block Grant (CDBG) program each year and for the State's Foreign Fire Insurance shared revenue since 2009.
- **Finding 8** Revenues, with all transfers from the enterprise funds treated as revenues, but without CDBG funds, have been increasing at an average rate of 1.9 percent per year from \$3,096,965 in 2004, to \$3,456,946 in 2010.
- **Finding 9** Expenditures, with all transfers from the enterprise funds treated as revenues, but without CDBG program expenses, have been increasing at a rate of about 2.4 percent per year from \$3,071,210 in 2004, to \$3,515,236 in 2010.
- **Finding 10** Major increases in expenditures from 2004 to 2010 as dollar amounts have come in wages and salaries (\$120,805), employee health insurance costs (\$71,796), fuel (\$24,652), and highway supplies (\$38,484).
- **Finding 11** The City's has struggled with keeping costs below revenues. After a year-end deficit in 2008, the City cut costs and raised revenues in 2009 to produce a year-end surplus.
- **Finding 12** The City's debt is limited to the water and sewer systems. The debt service is covered with water and sewer rates.

Step 2: Financial Trend Forecasting

- **Finding 1** Tax revenues are unlikely to increase without rate increases.
- **Finding 2** Ongoing revenues will increase, but at a rate below that for expenditures.
- **Finding 3** Expenses are likely to increase at a rate of over four percent per year.
- **Finding 4** The greatest cost increases are likely to be in health care insurance, salaries and wages.
- **Finding 5** The City faces substantial deficits that can only be resolved with a combination of rate increases, new revenues and cost controls. The structural deficit could exceed \$500,000 by 2016.
- **Finding 6** The City will have an opportunity each year in the budget process to tackle this potential deficit. Each year's solutions will carry over into the next year and reduce the potential deficit.

Step 3: Short Term Recommendations

1. Focus on improving property tax collection rates.
2. Monitor the new county-wide Earned Income Tax collection process to assure that the City obtains all revenues that it is owed.
3. Review and adjust fees and rates.
4. Place downward pressure on expenses.

Step 4: Management Audit

1. Compare each departments operations to established standards for improved performance. (See Report)
2. Target the areas for improvement.
3. Move quickly into the digital age.
4. Increased fee revenues, and reduce expenses.

Step 5: Multi-Year Plan Adoption, Beginning a Conversation about the Future

1. Force a conversation about how the City will operate in five to ten years.
2. What do City's residents expect of government and how can government meet those needs? Will City residents still receive all the municipal services directly from the City, or will some be received from regional providers?
3. Pay close attention to what the major tax payers and employers are doing.
4. 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?
5. Start changing the operating model before it is too late.
6. What can be done now to anticipate future problems?
7. What resources can be redirected to prepare for future changes?
8. Make sure that employees, residents, and tax payer know what is going on.
9. What can be done to get employees, residents and tax payers on board now?

Step 5: Recommendations

The priorities are:

1. *Strengthening administrative functions*
2. *Strengthen information technology*
3. *Maintain strong revenues*
4. *Strengthen ties with the community*
5. *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.

Priority One: Strengthen Administrative Functions

- Adopt the provisions of the new PA law pertaining to municipal managers in Act 75 of 2011. This will clearly define the role of the manager and strengthen the executive functions of City government.
- Redefine the role of the City Clerk.

New responsibilities for the City Clerk might include:

1. Serving as the Assistant Administrator
 2. Serving as a liaison, with the Mayor, between City Government and the civic community
 3. Manage the rental registration program
 4. Manage the code compliance/complaint program
- Expand and define the role of the City Treasurer.
 - Conduct both operating and capital budgeting.
 - Combine the management of the public works functions.

Currently there are three public works superintendent positions – for highways, water, and 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. This can result in a more effective use of staff and the potential for reductions in costs as positions are consolidated.

- Develop and approve written policies and procedures for all departments.

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:

1. The lack of up-to-date plans for information technology, personnel management, and other administrative matters
2. The lack of current job descriptions, and operating policies and procedures
3. The fragmentation of duties between employees
4. 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 Pennsylvania Department of Community and Economic Development.

Priority Two: Strengthen Information Technology

1. Manage Information
2. Conduct Electronic Government

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 governments.

The development of software solutions for local government began with 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 e-Government technologies, the City should:

- Designate a technology manager. 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 for:
 - a. Police department and the mobile data entry systems
 - b. Remote access to waste water treatment systems
 - c. Accounting system software
 - d. Code enforcement software
 - e. Access to email and internet in all departments

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.

Priority Three: Maintain a Strong Revenue Base

The City has a relatively strong and diverse revenue portfolio. Maintain and strengthen this portfolio by:

- Improving real estate tax collections.

There are a number of steps that can be taken to improve collections:

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

- Setting water and sewer rates at appropriate levels and resetting other charges and fees.

The City should review both the level of the charges and fees and the scope of the activities that result in charges and fees. The objective should be to have the costs incurred by the City covered with fee and charge revenues. Fee levels should be set to capture the staff time, overhead and any unusual costs associated with the activity. The City should assess fees for all of the activities that result in services. The City should:

1. Implement a rental registration program with regular inspections.
2. Bill insurance companies for fire calls.
3. Expand the scope of fire inspections and fees.
4. Implement a more aggressive code enforcement program.

- Overseeing the Earned Income Tax Collections
- Implementing a Business Registration Program

The City should adopt a business registration program to assist in making sure that all employers and self-employed individuals 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.

Priority Four: Strengthen Ties with the Community

- Vigorously engage the community and communicate with the public through electronic newsletters and other modern technologies.

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 and supporting collaborative partnering to advance common goals and objectives. In order to do this effectively the City government should:

1. Fully embrace community participation, and engage the community by working closely with the community groups and organizations to achieve common goals and objectives.
 2. Designate the Mayor or a member of City Council to be a direct liaison with the community groups and organizations and report to Council through an agenda item on this topic at each public meeting of Council.
 3. 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.
 4. 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 would improve this collaboration.)
- Quickly establish a rental registration program.

Rental registration programs are particularly useful in municipalities such as Corry 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.

- Aggressively conduct 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 utilize computer based 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 and work.

1. 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.
2. A proactive fire inspection program should be initiated.
3. The tenant registration program should be put in place to improve effectiveness and increase revenue.
4. A fee structure should be established that will allow the City to recover the costs of the expanded program.

Expansion of the duties of the department should be accompanied by changes in the fee schedule to make the new initiatives self-supporting. Code enforcement fines should be adequate to serve as deterrents to code violations.

- Undertake intergovernmental cooperation initiatives.

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 presently providing these regional services with a local tax base.

Increased cooperation between the City and the neighboring municipalities 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.

- Support legislative initiatives benefiting the City.

Priority Five: Controlling Finances

- Establish 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.
 - Purchasing and inventory management.
 - Accounts receivable including grants, taxes, fees, fines, departmental changes and intergovernmental revenues.
 - Monthly and annual reporting for all funds.
 - 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.

- Conduct effective 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.
- Provide 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?

- 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 or renovate one of the existing stations, the department should do a complete review the public safety needs of the community and the equipment and staffing needed to respond to those needs.

- Put downward pressure on police department costs, and all overtime costs, employment costs, health benefit costs, labor contract 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 a 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 the 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. A voice response on the City's seven digit phone number 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 reports entering by clerks. This will also 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 the overall performance of patrol functions. This change should be one of the highest priorities of the City.

- The City should fully use the Erie County 9-1-1 system to eliminate duplication of efforts.

All new labor agreements across the City 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 the same;
- Any new benefits for retirees or other inactive employees (e.g., those on lay-off or disability status);
- Any improvements in existing benefits for retirees or other inactive employees;
- Any other terms 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.

- Conduct safety 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. 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.

- Outsourcing as opportunities arise.

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."

The City should also 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.

Step 6: Multi-Year Plan, Implementation

1. Make assignments.
2. Conduct quarterly and annual reviews.

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 process.

Four times each year, the implementation manager should submit a quarterly report at a public meeting of 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.
- Propose a revised implementation schedule to bring objectives back on track.

Annually, on or around September 1 of each year, the implementation manager should submit an annual report on the financial state of the City 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 other local governments, the County, and the Commonwealth.
- Amend the multi-year plan by 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.
 - 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.

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