MUNICIPALITIES FINANCIAL RECOVERY PLAN FOR THE CITY OF CHESTER

July 15, 2016

RECOVERY PLAN SUBMITTED TO:
Commonwealth of Pennsylvania
Department of Community and Economic Development
Governor's Center for Local Government Services

RECOVERY PLAN SUBMITTED BY:
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EXECUTIVE SUMMARY

Today the City of Chester remains one of Pennsylvania's poorest cities, with high unemployment, virtually no economic growth, and a population increasingly reliant on government services. After over 20 years in Act 47 of 1987, as amended ("Act 47" or the "Municipalities Financial Recovery Act"), Chester's economy is still not able to support its municipal government or to provide minimal services to its desperately poor population.

The City of Chester has been in Pennsylvania's Act 47 Financial Recovery Program since 1995. Chester has struggled with re-defining itself following its boom years as a manufacturing and distribution center. For several decades, Chester has been one of Pennsylvania's poorest cities. Chester's dire financial situation peaked in 2006, when it obtained a deficit-funded loan to meet payroll and deliver basic services. Its financial condition was granted a temporary reprieve in 2008 when Harrah's Philadelphia Casino and Racetrack opened. In 2009 this new revenue source allowed Chester to operate within its budget for several years including establishing a reserve fund with excess revenues. The waterfront in Chester has seen considerable attention with the granting of Keystone Opportunity Zones to attract private investment and in 2010, PPL Park (now Talen Energy Stadium), home to the Major League Soccer Philadelphia Union, opened.

Unfortunately, in recent years, the City has slipped back into severe financial distress. While the Casino offered an additional source of revenue, the City's other revenues have been stagnant. Economic growth has been slow despite the City's efforts. The City has been successful in redeveloping its waterfront and has spurred some new business growth. However, those successes have been slow to have a positive impact on the City's budget. Meanwhile, the City's personnel costs have climbed, particularly in the police and fire ranks, where historically bad interest arbitration awards have driven up the City's labor costs.

Under the leadership of Mayor Kirkland, who assumed office in January of 2016, the City has begun to take action to grow the City's economy, to increase employment opportunities and to stimulate the growth of its various tax bases to generate revenues to fund service provision. Mayor Kirkland and City Council have also taken steps to reduce costs, including overtime costs, which hit historically high levels in 2015.

Unfortunately, despite the new administration's best efforts, more must be done to alleviate the City's financial distress and it must be done quickly. The General Assembly enacted Act 199 of 2014, which amended Act 47 in various respects. One focus of Act 199 is to limit the period of time in which a municipality may remain in distress status under Act 47. A municipality's distress status must be terminated five years after the effective date of the most recent recovery plan or amendment enacted under Act 47, which was in effect at the time Act 199, was enacted in 2014. As of 2014, Chester's most recent plan or amendment was effective in May 2013, which means that under the law, the City must exit Act 47 by May 2018. This revised Plan must therefore set forth goals, which are intended to enable the City to exit Act 47 by May 2018.

Although, as stipulated by Act 199, it is possible that the termination date could be extended by an additional three years, such an extension is not assured and cannot be assumed at this time for purposes of this Recovery Plan.

As a result, the City must take immediate steps to eliminate its budget deficit and address its funding deficit. Extreme measures must be taken, and no department of the City will be able to avoid making difficult decisions. The City must do more with less. Expenditures must be cut, which may result in increased employee retirements and service level reductions. However, it is possible for the City to achieve its goal of climbing out of distressed municipality status in two short years.

With focused and disciplined implementation of this Recovery Plan, the City will solve its budget crisis, deliver effective, critical services and continue to spur economic growth as it reshapes itself for the future.

KEY RECOMMENDATIONS

This Recovery Plan presents aggressive recommendations, as the City's operating deficit is forecasted to be $9.2 million in 2016 with a cumulated deficit of $16.3 million (see Table ES.1). If no changes are made to Chester's current expenditures and revenues, it will continue to experience annual operating deficits. A few of the key recommendations are highlighted below.

TABLE ES.1 – BASELINE OPERATING PROJECTIONS, 2016-2020

Budget Category	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
Revenues	$47,229,855	$48,039,841	$48,865,041	$49,705,759	$50,562,308
Expenditures	$56,450,906	$52,141,681	$53,488,467	$55,578,870	$57,093,124
Surplus (Deficit)	($9,221,051)	($4,101,840)	($4,623,426)	($5,873,111)	($6,530,816)
Cumulative Surplus (Deficit)	**($16,263,151)**	**($20,364,991)**	**($24,988,417)**	**($30,861,528)**	**($37,392,344)**

Strengthen Financial Management Infrastructure

Under the current structure, one council person, who is part-time, serves as the Director of the Accounts and Finance Department, and employees within that department, including the City Accountant, handle the City's financial matters. The City has been unable to produce timely and regular financial reports, and the reports can be inconsistent. This has made it difficult to

get a true understanding of the City's fiscal situation and presents opportunities for mismanagement of retiree and dependent insurance coverage, among other items.

This situation is not unique to Chester. One of the main weaknesses of many third class cities in Pennsylvania is a lack of sufficient strength in their finance departments. Cities are complex fiscal entities, and it is extremely difficult for a city to address its fundamental fiscal challenges if it lacks sufficient strength in its finance department. Timely, consistent and accurate financial record keeping, analysis, planning and reporting are crucial to the recovery of a distressed city.

Given the complexity of the finances of the City government, the City needs to strengthen and further centralize its financial management oversight. The first recommendation in this plan (ADM01) is for the City to hire a full-time Chief Financial Officer ("CFO"), and the second recommendation (ADM02) is for the City contract with a qualified municipal certified public accountant to serve as the Deputy Chief Financial Officer ("Deputy CFO"). This will provide the City with strong leadership to handle all finance, accounting, budget, debt, investments and related functions.

In order to coordinate City finances across all departments, the CFO will report directly to the Mayor within the Department of Public Affairs, and the Deputy CFO will report to the CFO. The CFO will coordinate his or her efforts, under the supervision of the Mayor, with the Chief of Staff and with the councilperson serving as Director of Accounts and Finance.

The Recovery Coordinator recommends that DCED provide grant support to the City to finance the CFO and Deputy CFO positions for two years (see Sections 7.1 and 7.2 of this Recovery Plan).

Revenue Enhancement

The City must grow its tax base for future financial stability. Included in this Plan is a recommendation for the development and implementation of an economic and community development plan. The City must work with its current businesses and residents to set forth a strategic growth plan. The City must capitalize on recent economic initiatives, such as the Casino and Talen Energy Park, by becoming an economic development partner and resource.

Since the benefits of a strategic economic development plan will take place over time, and given the seriousness of Chester's deficit, we recommend the City raise the resident earned income tax and introduce an amusement tax for 2017. Unfortunately, the reality is that other efforts to capitalize on business growth in the City have not been successful. We understand raising taxes or introducing new taxes is never appealing; however, the City's cash constraints are severe.

One recommendation calls for the City to lobby the state to change the distribution percentages of gaming revenues to Act 47 municipalities. Approximately 20 percent of Chester's budget is

from gaming revenues, and any ability to increase the City's share of the gaming revenue already paid by Harrah's would be highly beneficial to Chester and other Act 47 municipalities that are facing the same structural budgetary issues.

Personnel Cost Containment

Chester's personnel costs, including benefits, have been growing at rapid rates over the past several years. Chester has been unable to keep up with its annual required pension payments and it health insurance premium. Chester needs to implement many recommendations to contain the growing costs that if not controlled now, will continue to grow and cripple the City's future finances. Recommendations presented here cover all aspects of employee compensation.

Key recommendations for personnel cost containment include reducing the workforce, through attrition where appropriate. Unfortunately, given personnel costs, the City simply cannot maintain its current employment complement. To reduce the workforce in the Police Department, we recommend returning to a three-platoon structure and eliminating specialty assignments and minimum supervisory staffing requirements. To reduce the workforce in the Fire Department, we propose reducing from two fire companies to one fire company and eliminating minimum manning supervisory requirements. We also recommend an overall complement reduction of 10 percent in the non-uniform ranks. These reductions are necessary for the City to shed its distress status.

The City will likely experience an increased number of retirements, which will have a temporary negative impact on the City. This includes both a negative budgetary impact based on required end of employment payments and an operational impact. However, if there is an increased number of retirements following the adoption of this Plan, then the City's efforts to reduce its complement through attrition will be furthered. Other recommendations also address the City's needs with respect to succession planning.

REVISED FINANCIAL FORECASTS

The revised financial forecast works on the assumption that the City successfully implements all of the proposed recommendations. Given the size of the City's cumulated deficit, it would not be able to eliminate its deficit until 2018. However, the margin provided, even with the strict recommendations, is thin. It is of our opinion that the City must adopt and successfully implement every recommendation of this Plan, or the City will not be able to eliminate its deficit in 2018 or exit Act 47.

TABLE ES.2 – ADJUSTED OPERATING PROJECTIONS WITH IMPLEMENTATION OF RECOVERY PLAN RECOMMENDATIONS, 2016-2020

Budget Category	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
Without Recovery Plan Recommendations					
Revenues	$47,229,855	$48,039,841	$48,865,041	$49,705,759	$50,562,308
Expenditures	$56,450,906	$52,141,681	$53,488,467	$55,578,870	$57,093,124
Surplus (Deficit)	($9,221,051)	($4,101,840)	($4,623,426)	($5,873,111)	($6,530,816)
Cumulative Surplus (Deficit)	**($16,263,151)**	**($20,364,991)**	**($24,988,417)**	**($30,861,528)**	**($37,392,344)**
With Recovery Plan Recommendations					
Revenue Recommendations	$30,000	$2,155,000	$2,140,000	$2,360,000	$1,975,000
Expenditure Recommendations	$269,600	$6,644,000	$6,806,492	$7,982,240	$8,427,869
Act 47 Grant Support	$0	$330,000	$258,000	$0	$0
Adjusted Total Revenues	$47,259,855	$50,194,841	$51,005,041	$52,065,759	$52,537,308
Adjusted Total Expenditures	$56,181,306	$45,167,681	$46,423,975	$47,596,630	$48,665,255
Adjusted Surplus (Deficit)	**($8,921,451)**	**$5,027,160**	**$4,581,066**	**$4,469,130**	**$3,872,053**
Adjusted Cumulative Surplus (Deficit)	**($15,963,551)**	**($10,936,391)**	**($6,355,325)**	**($1,886,195)**	**$1,985,858**

1.0 CHESTER OVERVIEW AND ECONOMIC CONDITION

1.1 INTRODUCTION

Today the City of Chester remains one of Pennsylvania's poorest cities, with high unemployment, virtually no economic growth, and a population increasingly reliant on government services. After over 20 years in Act 47 status, Chester's economy is no more able to support its municipal government or to provide minimal services to its desperately poor population than it was before entering the program.

The City of Chester was declared a financially distressed municipality in 1995 pursuant to Act 47. Since 2015, the Commonwealth of Pennsylvania's Department of Community and Economic Development ("DCED") engaged Econsult Solutions, Inc., Fairmount Capital Advisors, Inc., and McNees Wallace & Nurick LLC (collectively, the "Recovery Coordinator") to serve as the City's Recovery Coordinator. In this capacity, the Recovery Coordinator's responsibilities include monitoring the financial progress of the City, providing consultation and advice to the City's administrative staff, and periodically reviewing and updating the City's financial recovery plan.

Since the economic landscape of Chester is dynamic and changing, an update to the most recent 2013 Amended Plan is required to maintain its relevance and adjust to the changing opportunities and needs of the City. This update reflects the most recent available financial and economic information and is founded on the principles of the 2013 Amended Plan.

1.2 FORM OF GOVERNMENT

Chester is incorporated as a third class city and operates as a Home Rule Charter community as approved by its citizens on April 20, 1980. The City government is organized with an elected Mayor, who serves as the Chief Executive, and a City Council of five members, one of whom is the Mayor. Council members are elected at large for four-year staggered terms and together form the legislative branch of the City government. The Mayor has no right to veto the Council's legislation.

Under the City's Administrative Code, each Council member serves as the department head for one of the five municipal departments: Public Affairs (the Mayor), Parks and Recreation, Streets and Public Improvements, Public Safety, and Accounts and Finance. The Mayor makes the department head assignments at the annual organizational meeting of the Council.

The governing structure set forth in the City's Home Rule Charter is a variation of the commission form of city government.

The commission form of city government, also known as the Galveston Plan, was devised in Galveston, Texas in 1901 and became one of the three basic forms of municipal government in the United States. The others are mayor-council (with a strong executive mayor usually having veto power) and council-manager (with a strong executive manager). Under the commission plan voters elect a small governing commission, typically five or seven members, on an at-large basis. As a group the commissioners constitute the legislative body of the city responsible for taxation, appropriations, ordinances and other general functions. Individually, each commissioner is in charge of a specific aspect of municipal affairs, for example, public works, finance, or public safety. One of the commissioners is designated chairman or mayor, but his function is principally one of presiding at meetings and serving in ceremonial capacities. Thus the commission plan blends legislative and executive functions in the same body.

City Council members in Chester like their commission form of government. Each member of Council can focus a good portion of his or her time on a specific department, thereby building up expertise. Council members also point out that it would be a huge expense, which the City cannot afford, for the City to hire full-time directors of each of the City departments.

Pursuant to Article 112 of the City's Administrative Code, there is an Office of Chief of Staff. The Chief of Staff is appointed by a majority of the members of City Council and serves at the pleasure of the City Council. The Chief of Staff is responsible to the City Council as a whole for the proper and efficient administration of the affairs of the City. The Chief of Staff largely works for the Mayor and manages major issues that arise and are directed to the Mayor. It is important for the Chief of Staff to work with the individual Department Directors to resolve these issues. Part of this responsibility includes helping the City manage and resolve one-time events such as public safety incidents and public works issues. In addition, the Chief of Staff represents the Mayor in the City's economic development efforts and business attraction.

Changing the form of government or amending the Home Rule Charter in Chester would be a major undertaking by the City. The City's energies are better devoted to dealing with its financial challenges.

One area of organizational structure in which the City has been weak is in its financial management infrastructure. This Plan includes recommendations for utilizing the executive powers of the Mayor to institute a full-time CFO reporting to the Mayor, and the utilization of a contracted certified public accountant to serve as Deputy CFO (see Section 3.2 and Recommendations ADM01 and ADM02). The Recovery Coordinator recommends in this Recovery Plan that DCED provide grant support to the City to finance the CFO and Deputy CFO positions for two years (see Sections 7.1 and 7.2).

The only other elected City official is the City Controller, who is responsible for purchasing controls and managing the City's pension fund assets. The City's management team currently includes key appointed positions including Chief of Staff, City Solicitor, Police and Fire

Commissioners, Deputy Finance Director, City Planner, Public Works Director, and other department deputies.

The City provides its citizens with highway and streets, sanitation, health, recreation, planning, zoning, and public improvement services, as well as police and fire protection. In 2016, these local services will be supported with a $52.6 million General Fund operating budget, $375,000 of Special Revenue Funds for legally restricted operating expenditures, and a $250,000 capital improvement budget.

1.3 DEMOGRAPHIC AND SOCIO-ECONOMIC COMMENTARY

Understanding the City's economic, demographic, and housing statistics and placing that information within the larger regional, state, and national contexts provides a starting point to discuss Chester's economic and community development needs and strategies. The following paragraphs and exhibits outline the structural socio-economic challenges facing the City. Like many urban areas throughout the United States, Chester's population has shrunk and its tax base has deteriorated. Chester's experience is consistent with the national trend since the mid-20th century of population shifting away from cities into the suburbs. The migration to the suburbs coupled with significant job losses in the manufacturing sector led to a 47 percent population decline for Chester from 1960 to 2014. Over the same time period, Delaware County's population remained steady at approximately 550,000 and Philadelphia's other suburban counties, Chester, Montgomery, and Bucks counties experienced significant wealth and population growth.

TABLE 1.1—POPULATION, 1960-2014

Year	City of Chester		Delaware County		Pennsylvania	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
1960	63,658		553,154		11,319,366	
1970	56,331	-11.5%	600,035	8.5%	11,800,766	4.3%
1980	45,794	-18.7%	555,007	-7.5%	11,863,895	0.5%
1990	41,856	-8.6%	547,651	-1.3%	11,881,643	0.1%
2000	36,854	-12.0%	550,864	0.6%	12,281,054	3.4%
2010	34,464	-6.5%	556,468	1.0%	12,612,705	2.7%
2014	34,007	-1.3%	560,775	0.8%	12,758,729	1.2%

Source: U.S. Census Bureau, American Community Survey

Those households that did move into the cities tended to be lower income, which meant that cities were hosting an increasing portion of the nation's poor. The most recent American

Community Survey shows that from 2010 through 2014, on average, 27.3 percent of Chester residents were below the poverty line compared to just 7.6 percent in Delaware County and 9.3 percent in Pennsylvania.

TABLE 1.2—ECONOMIC, HOUSING, AND SOCIAL CHARACTERISTICS

Economic Characteristics	City of Chester	Delaware County	Pennsylvania
Median Home Value	$67,200	$233,400	$164,900
Owner Occupied Housing Units	39.7%	69.9%	69.5%
Vacant Housing Units	20.2%	8.0%	11.1%
Median Household Income	$28,607	$64,174	$53,115
Per Capita Income	$15,516	$33,539	$28,912
Percentage of Individuals Below Poverty	27.3%	7.6%	9.3%
High School Graduate or Higher	78.9%	91.9%	89.0%
Bachelor's Degree or Higher	9.5%	35.5%	28.1%

Source: U.S. Census Bureau, 2010-2014 American Community Survey

Despite Chester's high poverty rate, the City has experienced a slight increase in its median household income level. The American Community Survey shows that Chester's median household income averaged $28,607 from 2010 through 2014, (inflation adjusted 2014 dollars) which was an increase of approximately 6 percent from the median household income in 2010 of $26,787 (inflation adjusted 2014 dollars). While Commonwealth and County inflation adjusted median household incomes also increased, Chester had the largest growth rate. Pennsylvania's median household income in 2014 was $53,115 (up from $50,398 in 2010) and Delaware County's was $64,174 (up from $61,876 in 2010). While this data does not signify the completion of the City's economic turnaround, the increases are a promising indication for the future.

The City lags the County and Commonwealth in most economic indicators, including homeownership and high school and college graduation rates. The U.S. Census Bureau shows an overwhelming portion of Chester's population with low or moderate-income levels. Approximately 73 percent of Chester residents make less than $50,000 per year. A lower income population challenges the City to raise the earned income tax revenue required to

provide services to the citizenry. Moreover, high school and college graduation rates that lag behind peer communities are an obstacle to luring new employers that want a skilled workforce.

TABLE 1.3— HOUSEHOLD INCOME DISTRIBUTION

Income Levels	City of Chester	Delaware County	Pennsylvania
Total Households	12,068	204,571	4,957,736
Less than $10,000	18.6%	5.5%	7.0%
$10,000 to $14,999	8.3%	3.9%	5.4%
$15,000 to $24,999	16.8%	8.7%	10.8%
$25,000 to $34,999	13.8%	9.1%	10.4%
$35,000 to $49,999	15.4%	12.7%	13.6%
$50,000 to $74,999	15.1%	16.9%	18.4%
$75,000 to $99,999	5.5%	12.7%	12.5%
$100,000 to $149,999	4.3%	15.9%	12.9%
$150,000 to $199,999	1.5%	7.1%	4.7%
$200,000 or more	0.9%	7.5%	4.4%
Median Household Income	$28,607	$64,174	$53,115
Mean Household Income	$40,104	$89,186	$72,210

Source: U.S. Census Bureau, 2010-2014 American Community Survey

Low incomes are, in part, a function of employment levels and unemployment rates. As shown in Table 1.4, Chester's unemployment rate has exceeded that of the Commonwealth and County since 2000. In 2007, Chester's unemployment level reached a seven-year low of 6.9 percent. Unfortunately, in 2009, the global economic slowdown led to skyrocketing unemployment nationwide. Chester's unemployment rate increased to 14.9 percent in 2011 and decreased to 9.1 in 2015.

TABLE 1.4 —EMPLOYMENT AND UNEMPLOYMENT RATE, 2000-2015

	City of Chester		Delaware County		Pennsylvania	
Year	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
2000	13,671	5.8	267,671	3.7	5,854,551	4.1
2001	13,763	7.1	269,017	4.2	5,881,688	4.8
2002	13,734	8.2	266,962	5.1	5,868,607	5.6
2003	13,522	8.5	264,475	5.2	5,821,711	5.7
2004	13,498	8.8	263,972	5.0	5,876,997	5.4
2005	13,589	7.9	266,447	4.6	5,940,570	5.0
2006	13,678	7.3	270,261	4.3	6,006,634	4.6
2007	13,747	6.9	271,606	4.1	6,064,063	4.4
2008	13,796	8.3	273,179	5.0	6,109,645	5.3
2009	13,159	11.4	258,803	7.6	5,885,351	8.1
2010	11,503	14.2	263,272	8.0	5,840,887	8.5
2011	11,493	14.9	264,603	7.8	5,887,860	7.9
2012	11,641	14.5	267,248	7.8	5,956,662	7.9
2013	11,744	13.1	269,920	7.2	5,963,909	7.4
2014	11,926	10.4	274,093	5.5	6,008,533	5.8
2015	12,042	9.1	276,748	4.9	6,069,242	5.3

Source: Bureau of Labor Statistics

1.4 HOUSING MARKET ASSESSMENT

HOUSING CHALLENGES

Population and income changes influence housing needs. With the national trend of suburban growth – and the migration of stable middle-class, home-owning city residents to the suburbs – came a new housing profile for Chester and cities like it.

The rapid suburbanization of Delaware County was facilitated by the 1985 opening of Pennsylvania's Interstate 476, which bisects the county. I-476 encouraged growth in the number of corporations and households located in proximity to this pivotal link within the highway network for the Philadelphia metropolitan region.

Delaware County's 69.9 percent homeownership rate is above both state and national averages, while Chester's rate is just 39.7 percent. In Chester, population decline and a

relatively high poverty rate had a significant adverse impact on Chester's housing market. The vacancy rate in Chester is 20.2 percent compared to 8.0 and 11.1 percent for Delaware County and Pennsylvania, respectively.

Creating a diverse housing market that can attract a wide range of homebuyers from a variety of income levels has proven a difficult task within the City. The most recent American Community Survey shows that 12.6 percent of Delaware County owner occupied units were valued at less than $100,000, while 75.6 percent of such units in Chester were valued less than $100,000. The median value of owner-occupied units in Delaware County was $233,400, while the same statistic for Chester was $67,200. This disparity in housing values has resulted in Chester becoming the County's primary provider of low-priced and moderate-priced housing. Though still low relative to other communities in Delaware County, Chester has experienced increases in home values in recent years.

Despite a relatively low cost of housing, many Chester residents simply cannot afford to own a home in the City. For many years, resident income levels, population loss, poor quality of housing units, and high housing density have contributed to the disintegration of the housing market and has forced Chester to place more emphasis on government subsidies.

TABLE 1.5—HOME VALUES OF OWNER OCCUPIED UNITS

Income Levels	City of Chester	Delaware County	Pennsylvania
Owner-Occupied Units	4,796	143,090	3,446,230
Less than $50,000	31.9%	3.8%	9.4%
$50,000 to $99,999	43.7%	8.8%	17.5%
$100,000 to $149,999	15.0%	13.8%	17.0%
$150,000 to $199,999	4.9%	15.0%	17.3%
$200,000 to $299,999	2.8%	25.7%	20.2%
$300,000 to $499,999	1.5%	22.4%	13.3%
500000 to $999,999	0.1%	9.1%	4.4%
$1,000,000 or more	0.1%	1.5%	0.9%

Source: U.S. Census Bureau, 2010-2014 American Community Survey

1.5 BANKRUPTCY

Per the Municipalities Financial Recovery Act, the Recovery Coordinator has performed an analysis to assess whether specific exclusive Federal remedies could relieve Chester's financial

distress. A Pennsylvania municipality may apply to DCED for approval to file for a debt adjustment action under the United States Bankruptcy Code, 11 U.S.C. §101 *et seq.*, provided certain extraordinary conditions are present as set forth in 53 P.S. §11701.261.

The Recovery Coordinator does not believe that the City's situation is one that calls for Federal bankruptcy. The City needs to significantly grow its tax base and achieve savings through its labor contract negotiations and changes to pension and health benefits for its employees. The City has the ability to deal with its fiscal challenges under the provisions of state law and this Plan without utilizing the complex, lengthy and extremely expensive Federal bankruptcy process.

1.6 CONCLUSION

Taking into consideration the economic and socio-economic information presented in this section, our recommendations will focus on four broad goals:

1. Reduction of expenditure level and growth.
2. Enhancement of existing revenue sources.
3. Growth of the local economy and subsequent increase in tax bases.
4. Financial assistance from the state.

2.0 FINANCE FUNDS OVERVIEW

2.1 INTRODUCTION

This chapter presents a summary of changes in Chester's financial health since 2012. It starts with an overview of the City's six financial funds and focuses on the operating results and fund balances of the City's General Fund.

2.2 ALL FUNDS OVERVIEW

The City accounts for its financial activity within the structure of five major governmental funds: General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Liquid Fuels Fund, and Reserve Fund.

- The General Fund is the City's general operating fund and is used to account for all financial resources other than those requiring accounting in another fund. All tax revenues are accounted for in the General Fund.

- Special Revenue Funds are used to account for the proceeds of specific revenue sources other than capital funds that are restricted to expenditures for specific purposes.

- The Debt Service Fund is used to account for the accumulation of resources for payment of general long-term debt principal, interest, and related costs.

- Capital Projects Funds are used to account for financial resources to be used for the acquisition, improvements or construction of major capital projects.

- Liquid Fuels Funds received from the Commonwealth are used to pay for eligible expenses for street maintenance and repair.

- The Reserve Fund was established in 2007 to account for an accumulation of funds transferred from the General Fund for designated purposes as determined necessary by management, though effectively this fund is to serve as a rainy day fund. Council has chosen to present the Reserve Fund as a major fund in its independently audited financial statements.

In addition to the governmental funds noted above, the City is also responsible for Trust and Agency Funds that are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other government units. These funds are not available for use by the City to meet operating or capital expenditures. Trust and Agency funds

include the Police Pension Fund, Paid Firemen's Pension Fund, and Officers & Employees Retirement System.

2.3 ACCOUNTING METHOD

An evaluation of a municipality's financial position often depends on the accounting method used to measure revenues and expenses. Chester, like other municipalities, is required to apply the modified accrual method in its annual independently audited financial statements. Under the modified accrual method, revenues are recognized when measureable and available, while expenditures are recorded when a liability is incurred. For instance, an expense is recorded when the municipality incurs a liability even if the actual cash outlay occurs sometime in the days or weeks that follow.

The historic financial review presented in this chapter is based on the City's independent audited financial statements, which use the modified accrual method of accounting, and unaudited financial statements provided by the City. Where available, for 2012 and 2013 we have opted to use the independent audits as the basis for our historic financial review. For 2014 and 2015 we use the City's unaudited financial statements. The City is currently undergoing its 2014 audit which will not be ready in time for the issuance of this Recovery Plan.

While useful in the proper context, the modified accrual accounting method has its short-comings. Because expenses may be recorded in different time periods than when an outlay actually occurs, a modified accrual financial statement may not accurately depict the City's cash position. In addition, the fund balance shown in the audited financial statements consists of non-spendable, restricted, committed, assigned and unassigned funds, which may not be used at management's discretion.

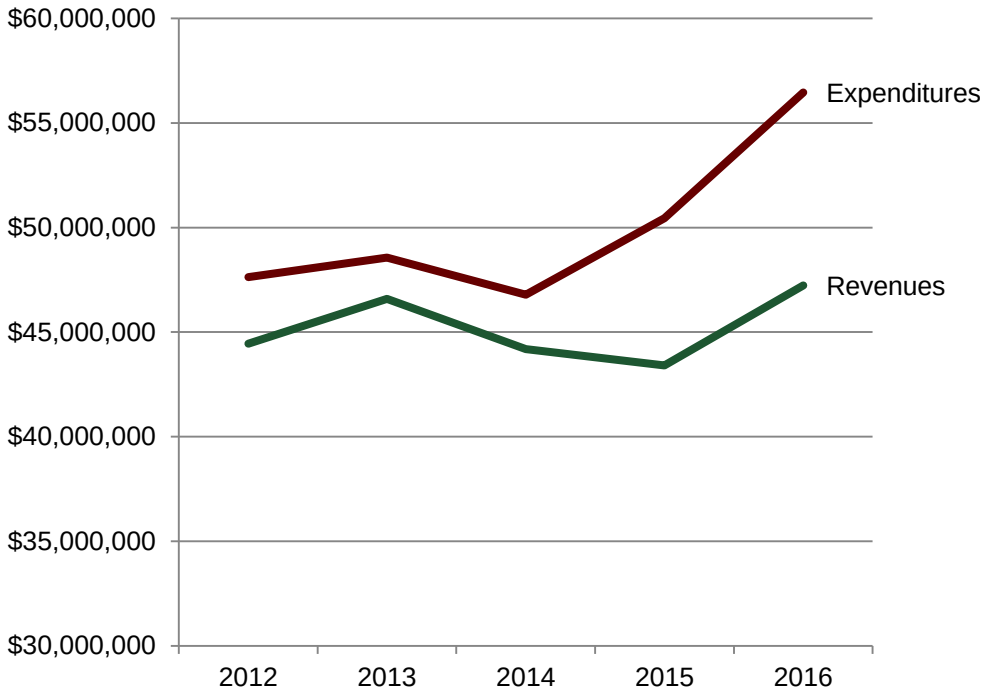
The City budgets and manages its month-to-month financial position on a cash basis. Under this method of accounting, revenues are recognized when income is received and expenses are recognized when funds are paid. The Recovery Coordinator uses these statements for its regular reviews of the City's financial position. Moreover, these statements provide a clearer picture of Chester's cash position, which is key to understanding the City's financial health. The financial forecasts and associated fund balances in the following chapters build on the City's budget and internal financial data.

2.4 RECENT GENERAL FUND OPERATING RESULTS AND FUND BALANCES

The General Fund is the City's general operating fund and is critical to understanding Chester's financial position. For several years, Chester achieved significant improvement in its operating

results and fund balance position due in large part to new income associated with gaming activity at Harrah's Racetrack and Casino ("Harrah's"). However, since 2012, Chester has run operating deficits (see Figure 2.1). Since 2014, the City began delaying health insurance premium payments and substantial portions of its minimum municipal obligation (MMO) in order to meet payroll. To accurately portray the General Fund condition, all health care and MMO obligations are included in the expenditures, whether or not the City paid them in those years.

FIGURE 2.1 —OPERATING REVENUES AND EXPENSES ($ MILLIONS), 2012 TO 2016



Source: Independent Financial Audits (2012, 2013) and City of Chester Financial Reports (2014, 2015), Forecast by Econsult Solutions (2016)

Chester's cash fund balance dropped by $2 million in 2012 from $6.1 million to $4.1 million (see Table 2.1). By the end of 2013, the city's fund balance dropped to $1.9 million. As of the writing of this amended Recovery Plan, the 2014 audit is yet to be completed. Based on financial statements form the City, we estimate that City's fund balance went negative and remained negative in 2015 as we account for the city's delayed health insurance premium and pension MMO payments.

TABLE 2.1—OPERATING RESULTS AND CHANGE IN GENERAL FUND BALANCE, 2012-2015

Budget Category	2012 Audited	2013 Audited	2014 Unaudited	2015 Unaudited
Total Revenue	$44,441,243	$46,588,562	$44,193,382	$43,407,954
Total Expenditures Including Debt Service	$47,631,734	$48,561,501	$46,792,852	$50,450,054
Operating Surplus (Deficit)	**($3,190,492)**	**($1,972,939)**	**($2,599,470)**	**($7,042,100)**
Other Net Transfers	($80,325)	($1,513,838)	$145,019	($869,289)
Transfer from Reserve Fund	$1,200,000	$1,259,683	$0	$0
Transfer to Capital Fund	$0	$0	$0	$0
Financing Sources and Transfers	$1,119,675	($254,155)	$145,019	($869,289)
Net Change in Fund Balance	**($2,070,817)**	**($2,227,094)**	**($2,454,451)**	**($7,911,389)**
Beginning Fund Balance	$6,159,041	$4,088,224	$1,861,130	($593,321)
Ending Fund Balance	**$4,088,224**	**$1,861,130**	**($593,321)**	**($8,504,710)**

Source: City of Chester, Independent Financial Audits (2012, 2013) City of Chester Financial Reports (2014, 2015), Econsult Solutions (2016)

2.5 BASELINE GENERAL FUND FORECASTS

One goal of Mayor Kirkland's 2016 Transition Plan is to exit Act 47 in 2018. However, we believe that, unless each of the recommendations of this Recovery Plan are adopted and implemented by the City, Chester will be unable to exit Act 47 in 2018 given its growing financial structural deficit. We forecasted the City's budget for 2016 to 2020 based on the City's historical financial results, its forecasted budget for 2016, and our predictions regarding the City's revenue collections and operations, if no significant changes are made. For revenues, we assumed no future increases in collections and relatively modest increase in revenues that are determined more by regional economic conditions than by the collection efforts of the City (see Table 2.2).

TABLE 2.2—GENERAL FUND REVENUE FORECAST ASSUMPTIONS

Revenue Category	Annual Growth
Slots & Host Revenue	2%
Table Gaming Revenues	2%
Real Estate Taxes	1%
Earned Income Tax	2%
Local Services Tax	1%
Business Privilege Tax	2%
Covanta Host Fees	2%
State Pension Fund Subsidy	1%
Trash Fees	1%
Licenses & Permits	1%
Grants	1%
Penalties, Interest, Fines & Forfeits	2%
Refunds	3%
Other	2%

Source: Econsult Solutions (2016)

TABLE 2.3—GENERAL FUND EXPENDITURE FORECAST ASSUMPTIONS

Expenditure	Annual Growth
Salaries and Wages	3%
Overtime	1%
Health Insurance	10%
Pension	2%
Insurances	2%
Contract Services	3%
Materials, Supplies, Equipment Maintenance	2%
Utilities & Sewer DCSWA[1]	3%
Grants	2%
Debt Service	Set per financing
Other	2%

Source: Econsult Solutions (2016)

The 2016 to 2020 forecast estimates a significant operating deficit in 2016 as the City is paying over $4 million in delayed 2014 and 2015 health insurance premiums to Independence Blue Cross. We estimate that the City operating deficit will decrease in 2017, assuming the City does not delay any of its 2016 health insurance premiums or pension MMO payments. We project that the City's deficit will continue to grow, as its operating costs grow faster than its revenues. As such, the City's negative fund balance will continue to worsen and it could represent almost 75 percent of Chester's revenues by the end of 2020.

Maintaining operations as is in Chester, given this trajectory, is not sustainable. The forecast of the City's negative fund balance of $37 million is grim. To meet payroll, the City would need to delay other payments, as it has done in recent years, but continuation of those tactics would put at risk the City's health insurance coverage for its employees and its police and operations and employees' pension funds' ability to meet payments to current retirees. Eventually the City would not be able to make payroll without significant changes to its current operations.

[1] Delaware County Sewer and Water Authority

TABLE 2.4—BASELINE GENERAL FUND BALANCE PROJECTION, 2016-2020

Budget Category	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Revenues	$47,229,855	$48,039,841	$48,865,041	$49,705,759	$50,562,308
Expenditures	$56,450,906	$52,141,681	$53,488,467	$55,578,870	$57,093,124
Surplus (Deficit)	($9,221,051)	($4,101,840)	($4,623,426)	($5,873,110)	($6,530,815)
Cumulative Surplus (Deficit)	**($16,263,151)**	**($20,364,991)**	**($24,988,417)**	**($30,861,527)**	**($37,392,343)**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

TABLE 2.5—GENERAL FUND OPERATING EXPENSES BY CATEGORY, 2016-2020

Category	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$17,600,000	$18,128,000	$18,671,840	$19,231,995	$19,808,955
Overtime	$3,000,000	$3,030,000	$3,060,300	$3,090,903	$3,121,812
Healthcare[2]	$15,051,429	$10,250,000	$11,275,000	$12,402,500	$13,642,750
Pension actual MMO	$5,888,717	$6,000,000	$6,120,000	$6,242,400	$6,367,248
Other Employee Benefits	$3,900,000	$3,978,000	$4,057,560	$4,138,711	$4,221,485
Insurances	$1,450,000	$1,479,000	$1,508,580	$1,538,752	$1,569,527
Contract Services	$2,500,000	$2,575,000	$2,652,250	$2,731,818	$2,813,772
Materials, Supplies, Equipment, Maintenance	$1,300,000	$1,326,000	$1,352,520	$1,379,570	$1,407,162
Utilities & Sewer, DCSWA	$1,700,000	$1,751,000	$1,803,530	$1,857,636	$1,913,365
Debt Service per PNC	$3,710,760	$3,267,681	$2,622,747	$2,593,162	$1,848,197
Other	$350,000	$357,000	$364,140	$371,423	$378,851
Total	**$56,450,906**	**$52,141,681**	**$53,488,467**	**$55,578,870**	**$57,093,124**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

[2] 2016 Healthcare expenditures include $4.2 million in delayed 2014 and 2015 health insurance premiums to Independence Blue Cross. The City and Independence Blue Cross made an agreement for Chester to pay all receivables and remain current on its health insurance premium in 2016.

3.0 EXAMINATION OF MAJOR OPERATING FUNCTIONS

3.1 INTRODUCTION

Chester's operating expenditures, including debt service, were approximately $50.5 million in 2015. Table 3.1 displays the distribution of the City's operating expenses for 2015 by major expenditure category. Table 3.1 reflects the full pension MMO, even though the MMO was not paid in full in 2015. The healthcare expenditure shown only includes the actual amount paid in 2015 and does not include the 2014 and 2015 health insurance premiums that the City is under agreement to repay in 2016. Labor related expenditures including salaries and wages, overtime, healthcare, pension, and other employee benefits, account for 77 percent of all city operating expenses.

TABLE 3.1—2015 OPERATING EXPENSES BY CATEGORY

Category	Amount	Percentage of Total
Salaries and Wages	$16,600,000	33%
Overtime	$4,030,000	8%
Healthcare	$7,697,832	15%
Pension actual MMO	$7,047,570	14%
Other Employee Benefits	$3,600,000	7%
Insurances	$1,500,000	3%
Contract Services	$3,350,000	7%
Materials, Supplies, Equipment, Maintenance	$1,290,000	3%
Utilities & Sewer DCSWA	$1,130,000	2%
Debt Service	$4,104,652	8%
Other	$100,000	0%
Total	**$50,450,054**	**100%**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

The following table shows expenditure projections itemized by major City function. The cumulative bottom-line results match those of the preceding summary expenditure projections.

Itemized functions include Elected Officials and Executives; Financial Management; Public Safety, Infrastructure and Maintenance; Public Safety; Community and Economic Development; Public Affairs; Parks, Public Property, and Recreation ; Community and Economic Development; Debt Service; and Insurances. Public Safety is further itemized to Police Department; Fire Department; and Licenses and Inspections.

The growth rate assumptions for each expense are consistent with the assumptions outlined in Table 2.3. The City's budget does not allocate benefits, pension, or social security expense by individual department, so these itemized projections pro-rate each department's share of these expenses based on percentage of city-wide salary.

In 2016, it is estimated that the operating expenditures will be considerably higher than what was paid in 2015, as 2016 includes 2015 accounts payables including portions of the 2015 pension MMO and the City's contribution for 2015 health insurance. In total, 2016 expenditures are forecasted to be $56.5 million (see Table 3.2). Sixty percent of the expenditures are for public safety including police, fire and licenses and inspections. The operating expenditures for 2017 are forecasted to be less than 2016 due to repayment of the 2015 accounts payables in 2016.

TABLE 3.2—SUMMARY OF 2016 EXPENDITURES BY DEPARTMENT FUNCTION

Function	2016 Operating Expenditure Forecast	Included in Category
Elected Officials	$645,880	Salary and benefits for the Mayor, City Council, City Controller and Chief of Staff
Financial Management	$2,834,656	Salary, benefits, equipment, materials and contracts for the Accounts and Finance Department
Streets Infrastructure and Maintenance	$6,919,853	Salary, benefits, equipment, materials and contracts for the Streets and Public Improvements Department
Public Safety	$33,340,195	Salary, benefits, equipment, materials and contracts for the Police Department, Fire Department, Health Department, and Licenses and Inspections
Public Affairs	$2,498,745	Salary and benefits for the Mayor's Office and Solicitor's Office
Parks, Public Property, and Recreation	$4,448,767	Salary, benefits, equipment, materials and contracts for the
Community and Economic Development	$602,049	Salary, benefits and contracts for City Planning and the City's contribution to CEDA
Debt Service	$3,710,760	Annual debt service
Insurances	$1,450,000	Worker's Compensation, Refunds, and Claims
Total	**$56,450,906**	

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

3.2 ELECTED OFFICIALS AND EXECUTIVES

Elected Officials and Executives include salary, benefits, social security, and pension expenses for the Mayor, the other members of City Council, the Chief of Staff and the Controller.

Chester is incorporated as a third class city and operates as a Home Rule Charter community as approved by its citizens on April 20, 1980. The City government is organized with an elected Mayor, who serves as the Chief Executive, and a City Council of five members, one of whom is the Mayor. Council members are elected at large for four-year staggered terms and together form the legislative branch of the City government. The Mayor has no right to veto the Council's legislation.

Under the City's Administrative Code, each Council member serves as the department head for one of the five municipal departments: Public Affairs (the Mayor), Parks and Recreation, Streets and Public Improvements, Public Safety, and Accounts and Finance. The Mayor makes the department head assignments at the annual organizational meeting of the Council.

The governing structure set forth in the City's Home Rule Charter is a variation of the commission form of city government.

The commission form of city government, also known as the Galveston Plan, was devised in Galveston, Texas in 1901 and became one of the three basic forms of municipal government in the United States. The others are mayor-council (with a strong executive mayor usually having veto power) and council-manager (with a strong executive manager). Under the commission plan, voters elect a small governing commission, typically five or seven members, on an at-large basis. As a group, the commissioners constitute the legislative body of the city responsible for taxation, appropriations, ordinances and other general functions. Individually, each commissioner is in charge of a specific aspect of municipal affairs, for example, public works, finance, or public safety. One of the commissioners is designated chairman or mayor, but his function is principally one of presiding at meetings and serving in ceremonial capacities. Thus, the commission plan blends legislative and executive functions in the same body.[3]

Pennsylvania has 56 cities.[4] Twenty of the cities operate under the Third Class City Code.[5] These cities have a commission form of government. Up until 1957, almost all cities in Pennsylvania operated under the Third Class City Code commission form of government. Twenty-three cities operate under a home rule charter; of these, two (Chester and Greensburg) have a commission form of government, 11 have mayor-council and 10 have council-manager.

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[3] Texas State Historical Commission, *Handbook of Texas On Line, "Commission Form of City Government"*, https://tshaonline.org/handbook/online/articles/moc01. See also, the Pennsylvania Governor's Center for Local Government Services, *"City Government n Pennsylvania Handbook",* 3rd Edition, November 2013 (referred to herein as "The Handbook").

[4] The description of the types of city governments in Pennsylvania, and the specific type used by each city, are set forth in The Handbook, pp. 7-13.

[5] Act of March 19, 2014, P.L. 52, No. 22, as amended.

Fourteen cities operate under other optional statutes; of these, none have commission form, eight have mayor-council and six have council-manager. One city (Parker) operates under special legislation form 1873 with a weak mayor-council form of government.

As described in The Handbook[6] the trend has been for cities in Pennsylvania to move away from the commission form of government: "When made the primary form of third class city government in 1913, the commission form was the idol of government reformers along with the council-manager plan. In recent years, however, its reputation has fallen. With the modern governmental emphasis on efficiency and accountability, the commission form has received low scores. Cities subsequently are moving away from the commission form of government. In 2000, only 20 Pennsylvania cities have commission forms of government under the Third Class City Code. Two additional cities operate as modified commission forms under home rule charters. [7]

The commission form has been criticized for encouraging five separate governments within a city. Critics also contend the commission form discourages professionalism. Having council members serving as department heads has made the hiring and retention of professional managers difficult. In addition, because council members are the ultimate authority over their own departments, cooperation and coordination are not always present. As a result, blunders sometimes occur, such as the streets department repaving a street, only to have the water bureau dig up the street to replace water lines several weeks later. However, incumbent council members, with a stake in the status quo, point to the need for members of council to be fully involved and express the fear of one person assuming too much power. Nevertheless, the trend away from the commission form continues."

Council members in Chester like their commission form of government. Each member of Council can focus a good portion of his or her time on a specific department, thereby building up expertise. Council members also point out that it would be a huge expense, which the City cannot afford, for the City to hire full-time directors of each of the City departments.

Pursuant to Article 112 of the City's Administrative Code, there is an Office of Chief of Staff. The Chief of Staff is appointed by a majority of the members of City Council and serves at the pleasure of the City Council. The Chief of Staff is responsible to the City Council as a whole for the proper and efficient administration of the affairs of the City.

In the range between having separate sub-governments and a strong central government, the Recovery Coordinator believes the Chester government needs to move more toward centralizing some functions.

[6] The Handbook(defined in footnote 2 above), page 8.
[7] Including the City of Chester.

Changing the form of government or amending the Home Rule Charter in Chester would be a major undertaking by the City. The Recovery Coordinator believes the City's energies are better devoted to dealing with its financial challenges.

One area of organizational structure in which the City has been weak is in its financial management infrastructure. This Plan includes recommendations for utilizing the executive powers of the Mayor to institute a full-time CFO reporting to the Mayor, and the utilization of a contracted certified public accountant to serve as Deputy CFO (see Recommendations ADM01 and ADM02).

The Home Rule Charter in Chester gives the Mayor more executive powers than are seen in many commission forms of government, including the commission form under the Third Class City Code.

The City's Home Rule Charter gives the following substantial powers to the Mayor: first, the Mayor is elected as Mayor directly by the citizens and is not appointed to the office by the Council;[8] second, the Mayor participates as a member of Council with full voting rights;[9] third, the Mayor is the presiding officer of Council;[10] fourth, the Mayor assigns the individual Council members to head specific departments at the annual reorganization meeting of the Council;[11] fifth, the Mayor is the Chief Executive of the City;[12] sixth, the Mayor is required to supervise the conduct of all city officers;[13] and seventh, the Mayor may appoint an assistant to assist in the administration of the functions of the Mayor, such assistant to serve at the pleasure of the Mayor[14].

The overall administration of the City is coordinated through the Chief of Staff. In addition to the Chief of Staff, the City should also have a more centralized and coordinated approach to the financial functions of the City through a CFO reporting to the Mayor and a contracted certified public accountant to serve as Deputy CFO (see Recommendations ADM01 AND ADM02).

The Recovery Coordinator recommends in this Recovery Plan that DCED provide grant support to the City to finance the CFO and Deputy CFO positions for two years (see Sections 7.1 and 7.2).

[8] Home Rule Charter, Section 201.
[9] Home Rule Charter, Section 201.
[10] Home Rule Charter, Section 201.
[11] Home Rule Charter, Section 603.
[12] Home Rule Charter, Section 301.
[13] Home Rule Charter, Section 303.
[14] Home Rule Charter, Section 305.

TABLE 3.3—ELECTED OFFICIALS AND EXECUTIVES, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$282,546	$290,199	$298,074	$306,177	$314,514
Health Insurance	$206,443	$140,587	$154,646	$170,111	$187,122
Pension	$80,769	$82,295	$83,941	$85,620	$87,332
Benefits	$53,492	$54,562	$55,653	$56,766	$57,901
Materials, Supplies, Equipment, and Maintenance	$17,831	$18,187	$18,551	$18,922	$19,300
Other	$4,801	$4,897	$4,994	$5,094	$5,196
Total	**$645,880**	**$590,727**	**$615,859**	**$642,689**	**$671,366**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

ADM01 – HIRE A CHIEF FINANCIAL OFFICER

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	($150,000)	($153,000)	($156,060)	($159,181)

The CFO should have overall responsibility for the City of Chester's budget, including the development, implementation and monitoring of the budget. The CFO will work with the City's various departments to ensure overall coordination of the City's fiscal management. The CFO is responsible for all finance, accounting, budget, debt, investments and related programs and ensures coordination across the various City departments to ensure a systemic approach to the City's financial management. The CFO will report to the Mayor.

The CFO will oversee financial implementation of the Recovery Plan recommendations and manage those that directly impact the Accounts and Finance Department. Some of the specific recommendations the CFO will be responsible for will require realigning departmental staff. Two examples of recommendations that will require realigning staff in the Accounts and Finance Department includes centralizing all of the City's grant writing in the Accounts and Finance Department (see Recommendation FIN03) and implementing a comprehensive risk management program (see Recommendation INS01). See the CFO Job Description set forth in Exhibit A hereto.

ADM02 – CONTRACT FOR A DEPUTY CHIEF FINANCIAL OFFICER

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	($80,000)	($80,000)	$0	$0

The City's weak and infrequent financial reporting and poor audit preparation have delayed a bond refinancing and put a Tax Revenue Anticipation Note at risk of default. Chester's financial reporting procedures need to be improved, review needs to occur often and be regularly recurring, staff needs additional training for audit preparation, and the City has an immediate need for technical assistance in its Accounts and Finance Department. We recommend the City contract with a qualified certified public accountant (CPA) with significant municipal experience for two years. At the end of that two year period, the CPA will have developed regular financial reporting and review processes, established processes for audit preparation, and will have successfully trained staff in these key initiatives. Comprehensive training and improvement of financial reporting, financial review, and budgeting and audit preparation has not occurred in the

past. These will be important components of the services provided by the third party Deputy Chief Financial Officer.

We recommend the Recovery Coordinator draft a Request for Proposal, with approval from DCED, for the City to issue in 2016 for a contract award date of January 1, 2017. See an initial draft of the Request for Proposal in Exhibit B hereto.

ADM03 – FORMALIZE ROLES AND RESPONSIBILITIES FOR THE DEPUTY MANAGER/DIRECTOR OF EACH DEPARTMENT

Responsible Party:	Target Completion:
Mayor, City Council	**Third Quarter 2016**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

Since City Council members are part-time, their deputy managers/directors should be able to effectively operate and manage the department following the directions of the City Council member. Specific roles and responsibilities should be distributed to and signed by each deputy manager/director and kept on file by Human Resources.

Part of the roles and responsibilities of the deputy managers/directors are three regular weekly standing meetings that will greatly add in the coordination of and within city departments, increased operational efficiency, and employee ownership of their role within the Chester. The deputy managers/directors should meet regularly, at standing weekly meetings with their respective Councilmember, with their staffs, and with each other. The meeting with the Councilperson should be used to set the agenda for the staff meeting, discuss immediate and long-term goals, budget issues, and any issues needing Council involvement or approval. At the staff meeting, the deputy manager/director should distribute and follow the agenda that was prepared with the Councilperson, allotting time for discussion on concerns raised by staff not covered in the agenda. The importance of regular and well-run staff meetings was effectively summarized by the HR Council of Canada:

> Regular staff meetings can serve to remind employees that there is more going on than their own issues and deadlines and may see opportunities for mutual support and collaboration, let alone obtain vital information from each other. Another benefit of holding regular staff meetings is to create an opportunity for different layers of the organization (managers, employees, interns, contractors) to align around current priorities and organizational goals. A common complaint is that employees don't have enough access to information. Regular staff meetings can mitigate this. As for managers, it is a great way to touch base with your staff and get a "quick pulse" about how your staff is doing.[15]

[15] HR Council for the Nonprofit Sector of Canada, HR Toolkit, 2013, accessed 2016 http://hrcouncil.ca/hr-toolkit/workplaces-meetings.cfm

In addition, the deputy managers/directors should meet weekly as a group the Mayor's Chief of Staff and the CFO to discuss how each is meeting the Mayor's goals for the City, find ways to collaborate and work together, and discuss the budget.

ADM04 – USE COUNCIL WORKING MEETINGS

Responsible Party:	Target Completion:
Mayor, City Council	**Third Quarter 2016**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

Due to Sunshine Laws, City Council can only meet as a whole during publically advertised meetings. The regularly scheduled City Council deliberative meeting allows for the opportunity of working meetings when announced at the deliberative meeting. City Council should use these twice monthly meetings as opportunities to discuss, at minimum, the City budget, cash flow, City priorities, operational issues, and opportunities for coordination. The Mayor's Chief of Staff and the CFO should participate in these meetings.

ADM05 – REDUCE THE GENERAL FUND SUBSIDIZATION OF CITY SPONSORED EVENTS

Responsible Party:				Target Completion:
Mayor, City Council, Chief of Staff				**Third Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$100,000	$100,000	$100,000	$100,000	$100,000

The City is working hard to increase sponsorships for special events in the City, which in the past have been at least partially funded from General Fund sources. However, the City hosts several events a year, which in addition to raising sponsorship money for any food or materials requires labor participation. Raising money from outside sources would relieve pressure on the budget without negatively impacting popular community activities. We understand the value of these events for Chester in the creation of community and good will.

TABLE 3.4 – SUMMARY OF RECOMMENDATIONS FOR ELECTED OFFICIALS AND EXECUTIVES

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
ADM01	Hire a Chief Financial Officer	Mayor, City Council	$0	($150,000)	($153,000)	($156,060)	($159,181)	First Quarter 2017
ADM02	Contract for a Deputy Chief Financial Officer	Mayor, City Council	$0	($80,000)	($80,000)	$0	$0	First Quarter 2017
ADM03	Formalize Roles and Responsibilities for the Deputy Manager/Director of Each Department	Mayor, City Council	No direct budgetary impact; will result in efficiency gains and productivity improvement.					Third Quarter 2016
ADM04	Use Council Working Meetings	Mayor, City Council	No direct budgetary impact; will result in efficiency gains and productivity improvement.					Third Quarter 2016
ADM05	Reduce the Number of City Sponsored Events	Mayor, City Council, Chief of Staff	$100,000	$100,000	$100,000	$100,000	$100,000	Third Quarter 2016
Total Impact			**$100,000**	**($130,000)**	**($133,000)**	**($56,060)**	**($59,181)**	

3.3 FINANCIAL MANAGEMENT

Financial Management expenses includes costs related to the Director's Office of Accounts and Finance (not including the director), the Treasurer's Office, City Assessor, City Clerk, Human Resources, Information Technology, and Purchasing function. The Department of Accounts and Finance is charged with the financial administration of the City including budgeting, accounting, financial policy formulation, purchasing, and financial forecasting. The Department also oversees treasury services such as revenue collection, disbursements, and investment management. The Recovery Coordinator's recommendations for the hiring of a professional CFO and contracting with a Deputy CFO will shift many of the financial management responsibilities to these new professional positions. The CFO and Deputy CFO will need to work in tandem with the Director of Accounts and Finance to improve financial reporting procedures and re-align the department to meet the goals of this Recovery Plan.

TABLE 3.5—FINANCIAL MANAGEMENT, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$1,052,795	$1,081,312	$1,110,655	$1,140,846	$1,171,912
Health Insurance	$769,227	$523,842	$576,226	$633,849	$697,234
Pension	$300,952	$306,639	$312,772	$319,027	$325,408
Benefits	$199,316	$203,302	$207,368	$211,515	$215,746
Contracted Services	$428,042	$440,883	$454,109	$467,733	$481,765
Materials, Supplies, Equipment, and Maintenance	$66,439	$67,767	$69,123	$70,505	$71,915
Other	$17,887	$18,245	$18,610	$18,982	$19,362
Total	**$2,834,656**	**$2,641,991**	**$2,748,863**	**$2,862,458**	**$2,983,341**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

FIN01 – ESTABLISH BUDGETING AND FINANCIAL REPORTING PROCEDURES

Responsible Party:	Target Completion:
CFO, Deputy CFO	**Third Quarter 2016**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

Among the standard financial management practices that are not occurring on a regular basis are budgeting and financial reporting, including:

- Monthly financial projections to the end of the year.
- Monthly variance analysis.
- Provision to the City Council of reliable monthly financial reports.
- Review financial position with operating departments or third-party providers, for the purposes of taking corrective action.

Without knowledge of its monthly financial position, Chester's practice fails to meet the standard established in the Third Class City Code. Although not strictly applicable to the City, the Code outlines an effective practice, which stipulates that no city order shall be authorized by council or signed by the president or secretary of any council unless there are sufficient funds in the treasury of the city to pay the same, and no orders shall be made payable at any time in the future or draw interest. Since establishing accurate monthly reporting on year to date revenue and expense, as well as projections to year-end is critical to adequate financial management, improved practices are recommended for the fourth quarter of 2016.

FIN02 – FORMALIZE A SCHEDULE OF REGULAR WEEKLY AND MONTHLY FINANCIAL REPORTS AND DISSEMINATION

Responsible Party:	Target Completion:
CFO, Deputy CFO	**Third Quarter 2016**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

As part of establishing formalized budgeting practice and procedures, Chester should have a written schedule of who prepares which financial reports and who receives them and when. While this recommendation falls under formalizing budget procedures, given the city's inability to produce timely, consistent, and error free financial reports, the Recovery Coordinator believes it is important to have a separate recommendation regarding the timing of financial reporting.

The City should be able to download a report of cash receipts and expenditures, year to date, directly from Pentamation, its financial accounting system on weekly basis, one day after the end of the week. Monthly cash flow and budget to actual reports should be disseminated to the Mayor, City Council, the Chief of Staff and all department managers five days after the end of every month.

FIN03 – DEVELOP A GRANTS COORDINATION AND MANAGEMENT SYSTEM IN THE FINANCE DEPARTMENT

Responsible Party:				Target Completion:
CFO				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$150,000	$300,000	$300,000	$300,000

The City's process of applying for grants is handled separately by each department, without coordination or sometimes, without knowledge by the Finance Department. In addition, the Chester Economic Development Authority, a quasi-public agency that is located in City Hall, manages and applies for grants that directly impact the City, but are also not coordinated with the City's finance department. There are also opportunities for the City to partner with or provide support to other grant seeking organizations, or for the City to elicit support for grants from other grant seeking organizations, businesses, and institutions that impact the residents and businesses. Again, there is no coordination in these efforts.

A city-wide grant application policy should be written by and controlled by the CFO. The CFO should oversee all grants coordination within the City, with the Chester Economic Development Authority (CEDA), and with external partners and stakeholders, such as the Riverfront Alliance of Delaware Coordination (RADC).

Grant coordination responsibilities should include:

- Develop a list of grants of all potential grants. This will include meeting with all City departments, CEDA and RADC to establish the list of grants, issuing authority, general financial requirements, and application periods.
- Continually search out other and new grant opportunities with first priority on grants that will cover general fund City operating costs.
    - For instance, the Police Department is eligible for a number of grants for equipment and related purchases.
- Finance shall complete all standard portions of grant applications.
- Finance will work with subject matter experts in the specific department or agency to write out the scope and determine the operational and financial impact of the grant
- All grant applications shall be submitted by Finance.
- All grant awards to the city shall be received and managed by Finance.
- Finance shall be responsible for all grant reports and close-out reports/audits.
- Meet Quarterly with CEDA and RADC together to identify grant opportunities, discuss financial implications and benefits to the City, and coordinate resources.

The Recovery Coordinator believes this new centralized coordination and oversight by finance will result in the identification of more grants, more matching funds, and increased grants revenue. However, the award success rate and award amounts are difficult to quantify. The

Recovery Coordinator estimates that the City should be able to increase grants revenue by $1 million starting in 2017.

FIN04 – Establish Inventory Accounting and Fixed Asset / Capital Accounting Program

Responsible Party:	Target Completion:
CFO	**Second Quarter 2017**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

Among the standard financial management practices that are not occurring on a regular basis are inventory accounting and fixed asset/capital accounting, including:

- Maintenance of a standard physical inventory of assets owned by the City, such as vehicle and property.
- Maintenance of depreciation tables.
- Monitoring capital expenditures against appropriations.
- Maintenance of inventory of supplies related to capital assets.

The City does not have an inventory or evaluation of physical assets. Best practices call for periodic inventory counts on a consistent basis with periodic spot checks. An employee other than the custodian of assets should conduct counts annually, at a minimum, and assign identification tags. Administration of assets should include the purchasing, leasing and disposal of assets to include, but not limited to, computer hardware, computer software, printers, copiers, fax machines, vehicles, and furniture. Assets under $500 in value should also be included (e.g., power tools, monitors, etc.). Because the City should endeavor to ensure funds are expended appropriately and assets accounted for periodically, establishment of inventory controls and management is recommended for completion by the end of the second quarter of 2016.

FIN05 – Develop a Formalized Five-Year Deferred Maintenance and Capital Improvement Program

Responsible Party:				Target Completion:
CFO				**Second Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$0	($999,208)	($1,000,000)	($1,633,750)

The City currently tracks capital needs and maintenance on an as needed basis. During the City's inventory accounting for its fixed assets and inventory, a schedule of all maintenance and estimated cost for all assets, and a wish list based on the strategic goals of the Mayor and community goals should be developed. The City has employed one-year capital budgets since 2007. The capital budgets include the name, cost, and funding source for each project. The one-year capital projects list falls short of what is intended in the Recovery Plan's recommendation for a five-year Capital Improvement Program.

The City needs to adequately address its capital needs, so as to properly manage the useful life and costs of maintenance and replacement of its capital assets. If maintenance and replacement needs are not addressed, the future budgetary impact of deferred maintenance compounds, inhibiting the City's ability to deliver services and support economic development initiatives. The City's debt service obligations decrease over the next several years. The City's debt service as compared to its revenues is relatively low and the City has the ability seek out a $20 million loan over a 20-year term to fund infrastructure and capital projects.

FIN06 – DEVELOP EMPLOYEE PERFORMANCE APPRAISAL SYSTEM

Responsible Party:	Target Completion:
Mayor, City Council, Chief of Staff	**First Quarter 2018**

No direct budgetary impact; will result in efficiency gains and productivity improvement.

All employees should be evaluated on an ongoing, consistent basis. For example, performance appraisal should include accounts payable performance measures. Performance measures help management determine areas for improvement and recognition of a job well done. As noted above, Chester must do more with less, which means the City must get the most from its employees in terms of performance. Examples of performance measures include:

- Purchase orders processed per week, month or year
- Frequency of errors (exception reporting)
- Attendance and tardiness
- Suggestions for improvement
- Cross-training skills

To ensure that what is required is adequately discharged and measured, an employee performance appraisal system reflecting the policies and procedures manual and job descriptions is recommended for completion in the first three months of 2016. This prioritization will ensure that systems are integrated for adequate functionality of control and authority.

FIN07 – REDUCE MATERIALS AND SUPPLIES COSTS BY TEN PERCENT

Responsible Party:				Target Completion:
Mayor, City Council, CFO				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$4,600	$18,500	$18,500	$18,500	$18,500

Chester's budget challenges demand strict control of each and every operating expense. Chester should implement a five percent reduction in materials and supplies related costs starting in 2016 and increase to a ten percent reduction in 2017. The reduction need not be implemented proportionally across all functions. Chester's administration and Council may elect to reduce expenses in one area more than another.

FIN08 – REPLENISH THE RESERVE FUND

Responsible Party:				Target Completion:
Mayor, City Council, CFO				**Ongoing**
2016	**2017**	**2018**	**2019**	**2020**
$0	($500,000)	($500,000)	($500,000)	($500,000)

In 2007, the City adopted a Reserve Fund policy that met the requirements of the Recovery Plan recommendation, which call for the funding of the account until the balance equals 5 percent of General Fund revenues. The City's recent deficits used up the funds in the reserve account and the City has not been able to fund the account. The City should return to funding the reserve account to cover unexpected expenses and/or shortfalls in revenues.

TABLE 3.6 – SUMMARY OF RECOMMENDATIONS FOR FINANCIAL MANAGEMENT

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
FIN01	Establish Budgeting and Financial Reporting Procedures	CFO, Deputy CFO	No direct budgetary impact; will result in efficiency gains and productivity improvement.					Third Quarter 2016
FIN02	Formalize a Schedule of Regular Weekly and Monthly Financial Reports and Dissemination	CFO, Deputy CFO	No direct budgetary impact; will result in efficiency gains and productivity improvement.					Third Quarter 2016
FIN03	Develop a Grants Coordination and Management System in Finance	CFO	$0	$150,000	$300,000	$300,000	$300,000	First Quarter 2017
FIN04	Establish Inventory Accounting and Fixed Asset / Capital Accounting	CFO	No direct budgetary impact; will result in efficiency gains and productivity improvement.					Second Quarter 2017
FIN05	Develop Formalized Deferred Maintenance and Capital Improvement Program	CFO	$0	$0	($999,208)	($1,000,000)	($1,633,750)	Second Quarter 2017
FIN06	Develop Employee Performance Appraisal System	Mayor, City Council, Chief of Staff	No direct budgetary impact; will result in efficiency gains and productivity improvement.					First Quarter 2018
FIN07	Reduce Materials and Supplies Costs by Ten Percent	Mayor, City Council, CFO	$4,600	$18,500	$18,500	$18,500	$18,500	First Quarter 2017
FIN08	Fund the Reserve Fund	Mayor, City Council, CFO	$0	($500,000)	($500,000)	($500,000)	($500,000)	Ongoing
Total Impact			**$4,600**	**($331,500)**	**($1,180,708)**	**($1,181,500)**	**($1,815,250)**	

3.4 INFRASTRUCTURE AND MAINTENANCE

The City's infrastructure and maintenance activities are managed under the Streets Department and include expenses for the city engineer, trash removal and disposal, traffic and street light maintenance, and equipment purchase and rental. A significant portion of the costs for infrastructure and maintenance include contracted services and the City's fee to the Delaware County Sewer and Water Authority (DCSWA).

TABLE 3.7— INFRASTRUCTURE AND MAINTENANCE, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$2,021,595	$2,076,355	$2,132,698	$2,190,673	$2,250,327
Health Insurance	$1,477,082	$1,005,891	$1,106,480	$1,217,128	$1,338,841
Pension	$577,893	$588,814	$600,590	$612,602	$624,854
Benefits	$382,729	$390,384	$398,191	$406,155	$414,278
Materials, Supplies, Equipment, and Maintenance	$127,576	$130,128	$132,730	$135,385	$138,093
Contract Services	$1,168,909	$1,203,976	$1,240,095	$1,277,298	$1,315,617
Utilities (Includes DCSWA Fee)	$1,129,721	$1,163,613	$1,198,521	$1,234,477	$1,271,511
Other	$34,347	$35,034	$35,735	$36,450	$37,179
Total	**$6,919,853**	**$6,594,194**	**$6,845,042**	**$7,110,168**	**$7,390,699**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

Recommendations that directly impact Infrastructure and Maintenance also apply to other government functions and the organization of those recommendations was thought best to be placed under those other sections.

3.5 PUBLIC SAFETY

FIRE DEPARTMENT

The Fire Department provides fire protection and prevention services to the City. The Department's mission is to provide fire protection services aimed at minimizing the loss of life and property from fires, explosion, hazardous materials and natural disasters. Along with this mission, it is the Department's goal to establish a comprehensive fire safety education and prevention program designed to meet the diversified needs of the entire community.

The Department's goals include the reduction of the loss of life and damage to property from fire by applying proactive inspection and code enforcement; the protection of the environment from natural and human caused disaster; the establishment and maintenance of a comprehensive fire safety education and prevention program designed to meet the diversified needs of the entire community. The Department also strives to provide regional leadership in all areas of fire service issues. The Department initiates required fire investigation services in order to establish the cause and origin of a fire and to provide evidence and support for required litigation. The members of the Department remain aware of local, state, national and global fire service events so that our service delivery is always current and relevant to community needs and can be managed and delivered in a cost effective manner.

The Department also provides emergency mitigation and management at hazardous material incidents and of course, the Department extinguishes all fires within the boundaries of the City of Chester, and upon request by an outside agency will assist other Departments outside the City limits.

The Chester Fire Department currently has two fire stations. Station 1 (81) located at Third and Tilghman Streets in the City's west end, and Station 2 (82) located in the east end at Fourteenth Street and Providence Avenue. Station 81 houses Squirt 81 and Engine 81. Station 82 (Fire Head Quarters) houses Engine 82, Tower Ladder 82, and a Battalion Chief's vehicle (Chester 11). The costs to operate two fire stations include costs associated with each building, staffing for each battalion unit, and staffing requirements for each vehicle.

The provision of critical fire services comes at a significant cost to the City.

TABLE 3.8 — FIRE DEPARTMENT, PROJECTION 2016 -2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$3,908,414	$4,014,283	$4,123,214	$4,235,298	$4,350,628
Health Insurance	$2,855,690	$1,944,721	$2,139,193	$2,353,112	$2,588,423
Pension	$1,117,260	$1,138,373	$1,161,141	$1,184,363	$1,208,051
Benefits	$739,943	$754,741	$769,836	$785,233	$800,938
Materials, Supplies, Equipment, and Maintenance	$246,648	$251,580	$256,612	$261,744	$266,979
Other	$66,405	$67,733	$69,088	$70,470	$71,879
Total	**$8,934,359**	**$8,171,432**	**$8,519,083**	**$8,890,220**	**$9,286,898**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

ORGANIZATION STRUCTURE

There are 70 positions in the Fire Department. The administrative office of the Fire Department includes three (3) full time employees including the Fire Commissioner, the Assistant to the Commissioner and an administrative assistant. The uniform fire personnel consists of 67 full time positions, all of whom are members of the Fire Fighters Local Union 1400.

TABLE 3.9 — FIRE DEPARTMENT, UNIFORM POSITION TOTALS

Title	Total
Battalion Chief	5
Captain	6
Firefighter	30
Apprentice	26

RECOMMENDATIONS

FD01 – ELIMINATE MINIMUM SUPERVISORY STAFFING REQUIREMENTS

Responsible Party:				Target Completion:
Director of Public Safety, Fire Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$150,000	$155,000	$160,000	$165,000

The uniformed fire personnel are currently divided into four (4) platoons consisting of approximately 12 Fire Fighters, one captain and one battalion chief per platoon. As a result of the last round of collective bargaining and interest arbitration, the Fire Department is no longer required to maintain a minimum number of Fire Fighters on each shift. However, the Department is required to maintain a certain level of staff assigned to each piece of equipment that it operates. The Fire Fighters Local Union has proposed changing the current system to a three (3) platoon system. The City should reject this proposal, as the change in Platoon structure would result in an increase of approximately $500,000 annually.

The Fire Commissioner indicated that labor agreements require the Department to maintain a Captain and Battalion Chief on each shift. This minimum mandatory staffing provision related to the command structure results in significant increased costs. The Fire Department must eliminate this minimum staffing requirement and take back the right to make appropriate staffing determinations on a case by case basis. The Department must negotiate out of these costly and unnecessary staffing requirements.

Historically, combined overtime for Battalion Chiefs and Captains has been approximately $450,000 per year. While steps have been taken to reduce overtime in 2016, we believe the elimination of minimum supervisory staffing requirements will further reduce overtime by 33 percent, or $150,000 per year.

FD02 – ELIMINATE ONE FIRE COMPANY

Responsible Party:				Target Completion:
Director of Public Safety, Fire Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$1,800,000	$1,850,000	$1,910,000	$1,970,000

The Department currently operates out of two Fire Companies, East and West. The Fire Commissioner indicated that the response time to any location in the City is less than four (4) minutes. It is possible that the Fire Department could maintain an adequate response time from one location and eliminate one Fire Company. The Fire Department should explore whether its response time to all locations in the City could be maintained at a level consistent with the

appropriate standards. If such an adequate response time can be maintained, then the Department should eliminate one of the companies.

The Fire Department should ensure that it complies with its obligations with respect to the Fire Fighters Local 1400 in the event a Fire Company is closed. Eliminating one fire company would allow the City to reduce staff by approximately 20 Fire Fighters, 1 Battalion Chief, and 2 Captains. The projected salary savings from these reductions in 2017 are $1,800,000 with benefits savings projected at $500,000 (assuming average benefits costs of $25,000 per Fire Fighter).

In the event that one Fire Company is not eliminated, the Fire Department will eliminate an equivalent amount of expenses from its budget.

FD03 – DEVELOP AND MAINTAIN ENTRY LEVEL AND PROMOTIONAL EXAMINATION LISTS

Responsible Party:				Target Completion:
Director of Public Safety, Fire Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$8,000	$8,300	$8,300	$8,400

The Fire Department experienced a significant increase in overtime costs in 2015. The Fire Commissioner and the Fire Fighters Local 1400 indicated that overtime costs were high due, in part, to a number of vacancies. As with the Police Department, vacancies were created as a result of leaves of absences related to injuries and employee turnover. Currently, the Department is fully staffed, and does not have a minimum manning requirement (other than as noted above). Therefore, overtime expenditures should decrease significantly, and the expected reduction in expenditures has been accounted for in cost projections.

A number of firemen are currently eligible for full retirement or are already participating in the Deferred Retirement Option Program (DROP). As a result, significant vacancies may exist at any point in the near future. Accordingly, the Department must take steps to be in a position to quickly fill vacancies. The Department should work to require that entry level Civil Service lists and promotional Civil Service lists are maintained on an ongoing basis with strong lists of available candidates who are available to fill vacant positions when the need arises. This will be even more critical as the City shifts to a more lean manpower deployment model. Projected savings reflect a one percent reduction in the baseline projected overtime amounts.

FD04 – FULLY IMPLEMENTED EXPEDITED WORK RELATED INJURY REVIEW PANEL

Responsible Party:				Target Completion:
Director of Public Safety, Fire Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$16,000	$16,500	$16,700	$16,900

There is currently a number of Fire Fighters on leaves of absence related to work-related injuries. The number of Fire Fighters on work-related injury leaves has had a negative impact on the City's overtime budget. The City must exploit the expedited review panel that was created by the January 2012 interest arbitration award and take appropriate action to address the current number of work related injury leaves. Projected savings reflect a two percent reduction in the baseline projected overtime amounts.

LICENSES AND INSPECTIONS, HEALTH DEPARTMENT, AND HOUSING DIVISION

Licenses and Inspections, the Health Department, and the Housing Division ensure safety through code enforcement, housing and food establishment inspections, outreach programs. The Health Department is responsible for monitoring the health status of the City of Chester by identifying key community problems. The Department informs, educates, and empowers the community regarding health issues through its various programs. The Housing Division oversees housing inspection activities. All buildings must be inspected prior to occupancy or change of occupancy.

TABLE 3.10—LICENSES AND INSPECTIONS, HEALTH DEPARTMENT AND HOUSING INSPECTION, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$1,004,428	$1,031,635	$1,059,630	$1,088,434	$1,118,073
Health Insurance	$733,887	$499,776	$549,754	$604,729	$665,202
Pension	$287,126	$292,552	$298,403	$304,371	$310,458
Benefits	$190,159	$193,962	$197,841	$201,798	$205,834
Contract Services	$151,324	$155,864	$160,539	$165,356	$170,316
Materials, Supplies, Equipment, and Maintenance	$63,386	$64,654	$65,947	$67,266	$68,611
Other	$17,066	$17,407	$17,755	$18,110	$18,472
Total	**$2,447,375**	**$2,255,849**	**$2,349,869**	**$2,450,064**	**$2,556,967**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

LI01 – ENHANCE CODES ENFORCEMENT EFFORTS

Responsible Party: **Director of Public Safety, Director of Public Works**

Target Completion: **First Quarter 2017**

2016	2017	2018	2019	2020
$0	($150,000)	($150,000)	($150,000)	($150,000)

The City shall continue to utilize contractors to provide codes enforcement services. However, the City shall develop a more comprehensive codes enforcement program that will enhance revenues received from permits, fees, fines and penalties. This important public safety function will also improve the safety of the City and improve the quality of life for residents. The City should conduct a review of the current costs of permits, fees, fines and penalties and consider increasing these schedules.

The codes enforcement officer(s) shall coordinate with the Chief of Police and the City Engineer as appropriate to ensure appropriate enforcement and collection of required permits fees, fines, and penalties. The codes enforcement officer(s) will also coordinate with the Chief of Police or the Police Commissioner to implement targeted enforcement efforts in order to enhance public safety.

On a quarterly basis, the City Council shall review reports of codes enforcement activities to ensure that the codes enforcement activities remain robust, and that appropriate revenues are received from enforcement activities. An increase of $150,000 per year is assumed for enhanced codes enforcement efforts.

TABLE 3.11 – SUMMARY OF RECOMMENDATIONS FOR PUBLIC SAFETY

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
FD01	Eliminate Minimum Supervisory Staffing Requirements	Director of Public Safety, Fire Commissioner	$0	$150,000	$155,000	$160,000	$165,000	Fourth Quarter 2016
FD02	Eliminate One Fire Company	Director of Public Safety, Fire Commissioner	$0	$1,800,000	$1,850,000	$1,910,000	$1,970,000	First Quarter 2017
FD03	Develop and maintain Entry Level and Promotional Examination Lists	Director of Public Safety, Fire Commissioner	$0	$8,000	$8,300	$8,300	$8,400	First Quarter 2017
FD04	Fully Implemented Expedited Work Related Injury Review Panel	Director of Public Safety, Fire Commissioner	$0	$16,000	$16,500	$16,700	$16,900	First Quarter 2017
LI01	Enhance Codes Enforcement Efforts	Director of Public Safety, Director of Public Works	$0	($150,000)	($150,000)	($150,000)	($150,000)	First Quarter 2017
Total Impact			**$0**	**$1,824,000**	**$1,879,800**	**$1,945,000**	**$2,010,300**	

3.6 PUBLIC AFFAIRS

Public Affairs expenses in this Plan include activities in Mayor's Office and Solicitor's Office minus the Mayor and the Chief of Staff. The Public Affairs department also includes the Police Department, which is addressed separately below.

TABLE 3.12—PUBLIC AFFAIRS, PROJECTION 2016-2020

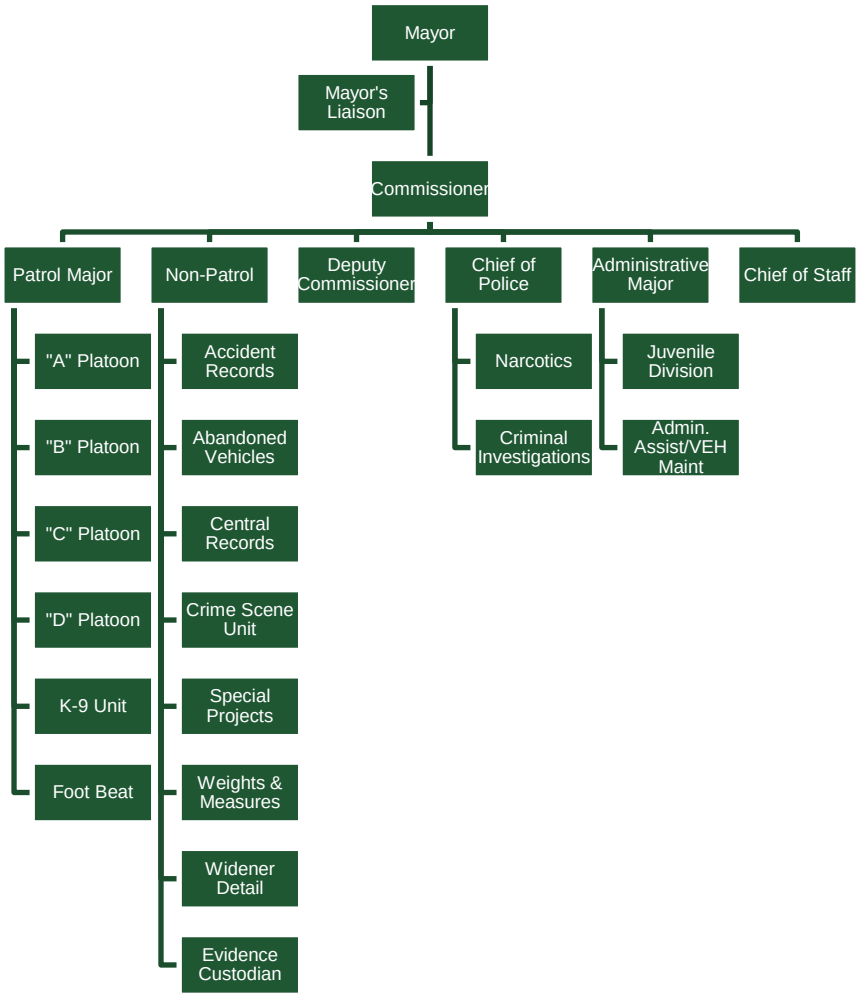
Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$895,376	$919,630	$944,584	$970,262	$996,683
Health Insurance	$654,208	$445,515	$490,066	$539,073	$592,980
Pension	$255,952	$260,789	$266,005	$271,325	$276,752
Benefits	$169,513	$172,903	$176,361	$179,889	$183,486
Contract Services	$451,978	$465,537	$479,503	$493,889	$508,705
Materials, Supplies, Equipment, and Maintenance	$56,504	$57,634	$58,787	$59,963	$61,162
Other	$15,213	$15,517	$15,827	$16,144	$16,467
Total	**$2,498,745**	**$2,337,525**	**$2,431,135**	**$2,530,543**	**$2,636,235**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

POLICE DEPARTMENT

The Chester Police Department provides around the clock police services to the City's residents. The Department's mission is to protect the lives, property, and rights of all people; to maintain order; and to enforce the law impartially. The Department seeks to provide quality police service in partnership with other members of the community. To fulfill that mission, the Department strives to attain the highest degree of ethical behavior and professional conduct at all times. The Department's Core Values include professionalism, integrity and pride.

FIGURE 3.1– ORGANIZATIONAL STRUCTURE OF THE CHESTER POLICE DEPARTMENT



Public safety is a very serious concern to the City and its residents. In 2016, the Department is averaging 4,900 calls for service per month. It is obvious that the City must continue to devote significant resources to police services. Given this critical public safety need, and the City's financial condition, the Department must be functioning at peak operational efficiency. Unfortunately, that has simply not been the case in recent years.

Overall, Police Department expenses are projected to increase 14 percent from 2012 to 2016 driven primarily by increased salary and benefit costs. Rapid growth in wages and benefit costs is wholly inconsistent with the City's financial position and is due to a disastrous interest arbitration award issued in January of 2012. The overall costs of the Police Department climbed even higher in 2015, driven primarily by a significant increase in overtime costs. In 2015, overtime costs were in excess of $2.7 million, an increase of 25 percent over the previous year.

In addition to significant wage, benefits and overtime costs, the Police Pension Fund is on the verge of collapse. The Police Pension Fund is currently funded at a level of 31 percent, which means the Plan does not currently have the available funds to pay 69 percent of its obligations. If something is not done to address this situation, the Plan may not have money available to pay its current obligations.

To be clear, while there is no doubt the City will continue to dedicate significant resources to public safety, the City simply cannot continue to sustain the current rate of cost escalation for the Police Department.

TABLE 3.13 — POLICE DEPARTMENT, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$9,605,922	$9,866,122	$10,133,847	$10,409,322	$10,692,775
Health Insurance	$7,018,585	$4,779,646	$5,257,610	$5,783,371	$6,361,709
Pension	$2,745,949	$2,797,841	$2,853,798	$2,910,874	$2,969,092
Benefits	$1,818,597	$1,854,969	$1,892,068	$1,929,910	$1,968,508
Materials, Supplies, Equipment, and Maintenance	$606,199	$618,323	$630,689	$643,303	$656,169
Other	$163,207	$166,472	$169,801	$173,197	$176,661
Total	**$21,958,460**	**$20,083,372**	**$20,937,814**	**$21,849,977**	**$22,824,914**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

Organization Structure

The Department currently has a complement of 106 positions uniformed officers. This current complement reflects an increase of about 10 positions over the 2010 uniform complement. There are an additional six (6) police administration positions and a number of vacant cadet positions.

RECOMMENDATIONS

PD01 – DEVELOP A WORK SCHEDULE TO EFFECTIVELY DEPLOY RESOURCES

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$1,300,000	$1,340,000	$1,380,000	$1,420,000

According to the Police Commissioner, the Department's schedule and platoon structure was modified in 2010 to move to a four (4) platoon structure, which resulted in an increase in headcount and an increase costs to the Department.

TABLE 3.14—POLICE DEPARTMENT PLATOON STRUCTURE

"A" PLATOON (0800-2000)	"B" PLATOON (2000-0800)	"C" PLATOON (0800-2000)	"D" PLATOON (2000-0800)
Captain	Captain	Captain	Captain
Sergeant	Sergeant	Sergeant	Sergeant
Corporal	Corporal	Corporal	Corporal
9 Patrol Officers	9 Patrol Officers	9 Patrol Officers	9 Patrol Officers

The Department must revert back to the prior three platoon, 10 hour shift structure, which would allow for an immediate reduction of approximately at least 10 positions. In developing the new (old) platoon and deployment structure, the City should use available data to identify the busiest shifts and schedule staff accordingly.

PD02 – ELIMINATE MINIMUM SUPERVISORY STAFFING REQUIREMENTS

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$100,000	$103,000	$106,000	$109,000

In addition, the City must eliminate costly and unnecessary minimum supervisory staffing provisions from its labor agreements. The Police Commissioner stated that as a result of various labor agreements, each shift must be manned by a Captain, a Sergeant and a Corporal, even if the department can operate without one or more of these positions. In the event of a vacancy in one of these positions on any given shift, or an shift vacancy due to paid leave, the Department

is required to pay overtime or rank differential pay to replace the supervisory position, without regard to other available staff (such the presence of the Chief of Police or specialty positions) and without regard to need. The result is extraordinarily high overtime costs. The City must wrestle back the right to make appropriate staffing decisions on a case-by-case basis. The Department must negotiate out of these costly and unnecessary labor agreements.

PD03 – ELIMINATE SPECIALTY ASSIGNMENTS AND UTILIZE CIVILIAN PERSONNEL

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$200,000	$210,000	$220,000	$230,000

The City has a number of non-patrol administrative positions and "specialty assignments."

TABLE 3.15 — POLICE DEPARTMENT, NON-PATROL POSITIONS

Position	Number
Commissioner	1
Deputy Commissioner	1
Chief of Police	1
Administrative Major	1
Chief of Staff	1
Mayor's Liaison	1
Special Projects	1
Evidence Custodian	1
Accident Records	1
Abandoned Vehicles	1
Administrative Assist./Vehicle Maint.	1
Central Records	1
Weights and Measures	1
Criminal Investigation	8
Narcotics Division	11
Crime Scene Unit	2
Juvenile Division	6
Widener Detail	3
Total Non-Patrol Positions	**43**

Given the City's current financial position and the skyrocketing costs of personnel costs, the City must evaluate the need to deploy more resources directly toward public safety and away from administrative and non-patrol functions. The City will eliminate several of these non-patrol positions. The City will identify those positions, which are critical to effective police services, which positions can be eliminated, and which positions can be assigned to civilian, non-police employees. The City must be aware of its bargaining obligations with the FOP as it proceeds with eliminating these positions and/or reassigning the positions to non-Police Officers. The savings reflect the estimated costs of three full time non-patrol positions with an average salary of $55,000 and benefits of $25,000.

PD04 – EXPLORE SHARED SERVICES

Responsible Party:	Target Completion:
Mayor, Police Commissioner	**Ongoing**

Cost savings would result from the elimination of Specialty Assignments, which is reflected in the savings projections in Recommendation PD03 above

The City must explore options and fees for increasing shared services, like those it does already including shared booking and holding services. The City should also ensure appropriate coordination with Widener University to ensure that both entities are capitalizing on available resources and reducing redundancies. Shared services will allow the City to more efficiently deploy resources, to patrol operations, where those resources better serve the residents and the City's public safety goals.

PD05 – COORDINATE WITH WIDENER UNIVERSITY PUBLIC SAFETY

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$5,000	$5,000	$5,000	$5,000

The Chester Police Department would benefit from as much coordination with other public safety agencies in the area to help prevent, respond to, and solve crimes. Widener University's Campus Safety operates under the jurisdiction of the Chester Police Department; however, resources between the two organizations for crime around Widener are not always shared. For instance, Widener has a closed circuit surveillance system. In addition, several new cameras were recently installed in the City's Sun Hill neighborhood, adjacent to Widener operated by the DelCam surveillance hub. It does not appear that the Chester Police Department has ready access to either set of surveillance cameras. The Chester Police Department should work with Widener University's Campus Safety and DelCam to gain constant access to the surveillance cameras and staff their review appropriately to deter and solve crime in Chester.

The City should take steps to ensure that Widener University is fairly compensating the City for the services rendered, including the police services rendered. This should include a consideration of the Widener Detail and the other services provided by the Police Department.

PD06 – DEPLOY RESOURCES IN AN EFFICIENT MANNER TO FIGHT CRIME AND CONTROL OVERTIME

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$100,000	$103,000	$106,000	$109,000

As noted above, overtime costs exploded in 2015. Although it appears clear that deployment was mismanaged in 2015, and the City has taken steps to address overtime costs, more must be done to control these costs. Overtime costs were approximately 12 percent of the police budget in 2015. While some overtime costs are unavoidable in a 24/7 operation, this level of overtime costs cannot be sustained. The adjustment to the three platoon structure identified above should aid in the overtime reduction. In addition, if the City completes an analysis of its crime statistics to determine high volume call times, it can more appropriately deploy resources to reduce overtime. In addition to the overtime savings to be achieved by the implementation of recommendation PD02, the City shall reduce overtime by an additional $100,000 in 2017 with overtime cost savings increasing by 3 percent annually through 2020.

PD07 – DEVELOP AND MAINTAIN ENTRY LEVEL AND PROMOTIONAL EXAMINATION LISTS

Responsible Party:	Target Completion:
Police Commissioner	**Fourth Quarter 2016**

Cost savings would result from reduction in overtime, which is reflected in Recommendations PD02 and PD06

In addition to mismanagement, another driver of overtime costs is position vacancies. In the past, the Department has had a significant number of vacancies, due to both leaves of absences and employee turnover. In addition to more appropriately deploying staff, the Department must take steps to reduce vacancies. In the past, the Department would wait and hire several officers at one time, which resulted in vacancies existing for several months or even a year or more. The Department should work to require that entry-level Civil Service lists and promotional Civil Service lists are maintained on an ongoing basis with strong lists of available candidates who are available to fill vacant positions when the need arises. This will be even more critical as the City shifts to a more lean manpower deployment model.

PD08 – FULLY IMPLEMENT EXPEDITED WORK RELATED INJURY REVIEW PANEL

Responsible Party:	Target Completion:
Police Commissioner	**First Quarter 2017**

Cost savings would result from reduction in overtime, which is reflected in Recommendations PD02, PD06, and PD07.

There are currently approximately six to 10 officers on leave related to work-related injuries. The number of officers on work-related injury leaves has had a negative impact on the City's overtime budget and staff morale. The City must exploit the expedited review panel that was created by the January 2012 interest arbitration award and take appropriate action to address the current number of work related injury leaves.

PD09 – DEVELOP AN ELECTRONIC TICKET ISSUING AND TRACKING SYSTEM

Responsible Party:				Target Completion:
Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	($75,000)	$50,000	$50,000	$50,000

The Department could also serve as a source for increased revenues. Increased fines for parking violations should be explored, including the use of electronic ticketing and prosecution of scofflaws. The use of electronic ticketing will lead to greater efficiency and improved enforcement and collections. The Department should also increase enforcement related to illegal parking activities during soccer matches and other events at Talen Energy Stadium. In addition, increased fines for non-traffic violations should be considered across the board. The City shall utilize non-Police Officers for these enforcement initiatives to the extent permitted by law.

Chester is faced with severe endemic violent crime. While the police department is focused on those matters, quality of life issues, that may help create a culture of disrespect, are not being handled. Parking enforcement in Chester has been lax. The City issues paper tickets and does not have an electronic system for tracking ticket issuance, ticket enforcement, or non-payment. Therefore, even if the City issues a ticket, there is no enforcement behind it.

Nuisance notices undergird the health and safety of residents, protecting them from dangers posed by a broad variety of threats. Enforcement of nuisance prevention also produces non-tax revenue for the City. Nuisance notices should be reinstated in the City by utilizing the most cost effective human resources, for the promotion of health and safety.

All tickets and fines should be tracked electronically in a system that accounts for car owner, registration address, property owner, property address, mailing address, date of ticket issuance,

amount of ticket, reason for ticket issuance, officer or code enforcer issuing the ticket, amount and date of payment, and follow up notices if not paid within a certain time period.

While there would be upfront costs for developing a system that tracks ticket and fine enforcement, there would also be an increase in revenues from tickets and fines, and a reduction in infractions due to increased and consistent enforcement. It is estimated that a system would cost $100,000 and if used properly could conservatively triple revenues from fines and tickets.

PD10 – INCREASE PARKING FINES AND PARKING ENFORCEMENT

Responsible Party:				Target Completion:
Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$5,000	$5,000	$5,000	$5,000

In conjunction with an electronic ticket and nuisance tracking system and increasing enforcement, the city should increase the cost of parking fines in Chester. We estimate this could generate an additional $5,000 per year.

PD11 – TRAIN ADDITIONAL OFFICERS AND REGULARLY STAFF THE WEIGH STATION

Responsible Party:				Target Completion:
Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$225,000	$225,000	$225,000	$225,000

Several sources noted that the Weigh Station is not currently being utilized to its full capability. The Department should consider training additional officers to utilize the weigh station. In addition, the Department should regularly staff and utilize the weigh station, and should consider appropriate enforcement operations. The Department should also charge a fee to any other municipality or entity that utilizes the weigh station. Significant additional revenues could be generated through regularly enforcement.

PD12 – ESTABLISH A FEE FOR WHEN OTHER MUNICIPALITIES UTILIZE CHESTER'S WEIGH STATION

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$25,000	$25,000	$25,000	$25,000

Since Chester does not have sufficient officers available to regularly staff the weigh station, other municipalities are staffing it with their trained officers. When those officers write the tickets, the entirety of the fine goes to the other municipality. The weigh station is in Chester and maintained by Chester. To cover the cost of wear and tear on the scale, Chester should develop a fee contract with any other municipality that uses the weigh station based on their usage of the station. The fee should be regularly reviewed so that it represents the true cost of maintenance for the portion of the year that the other municipality utilizes the weigh station. An estimate of $25,000 for the fee is assumed.

PD13 – OBTAIN REIMBURSEMENT FROM SCHOOL DISTRICT FOR CROSSING GUARDS

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$200,000	$200,000	$200,000	$200,000	$200,000

The City employs approximately 32 FTE crossing guards at a cost of approximately $400,000 annually. The crossing guards are represented by the Teamsters. The Coordinator was advised that the Chester Upland School District has also not been reimbursing the City for providing crossing guards to the School District. The school district should be sharing equally in the costs of the crossing guards. These reimbursable costs amount to approximately $200,000 per year.

PD14 – PROHIBIT CROSSING GUARD PARTICIPATION IN PENSION AND BENEFIT PLANS

Responsible Party:	Target Completion:
Mayor, Police Commissioner, City Solicitor	**Fourth Quarter 2016**

This is included to be preventative of additional and illegal potential costs

The Third Class City Code was recently amended to prohibit Crossing Guards from participating in any City pension or other benefit plan. The City should ensure that any future collective bargaining agreement with the Teamsters complies with this provision and also pass an appropriate ordinance prohibiting crossing guards from participating in pension and other benefit plans.

TABLE 3.16 – SUMMARY OF RECOMMENDATIONS FOR PUBLIC AFFAIRS

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
PD01	Develop a Work Schedule to Effectively Deploy Resources	Mayor, Police Commissioner	$0	$1,300,000	$1,340,000	$1,380,000	$1,420,000	Fourth Quarter 2016
PD02	Eliminate Minimum Supervisory Staffing Requirements	Mayor, Police Commissioner	$0	$100,000	$103,000	$106,000	$109,000	Fourth Quarter 2016
PD03	Eliminate Specialty Assignments and Utilize Civilian Personnel	Mayor, Police Commissioner	$0	$200,000	$210,000	$220,000	$230,000	Fourth Quarter 2016
PD04	Explore Shared Services	Mayor, Police Commissioner	Cost savings would result from the elimination of Specialty Assignments, which is reflected in the savings projections in Recommendation PD03 above.					Ongoing
PD05	Coordinate with Widener University Public Safety	Mayor, Police Commissioner	$0	$5,000	$5,000	$5,000	$5,000	Fourth Quarter 2016
PD06	Deploy Resources in an Efficient Manner to Fight Crime and Control Overtime	Mayor, Police Commissioner	$0	$100,000	$103,000	$106,000	$109,000	Fourth Quarter 2016
PD07	Develop and maintain Entry Level and Promotional Examination Lists	Police Commissioner	Cost savings would result from reduction in overtime, which is reflected in Recommendations PD02 and PD06 above.					Fourth Quarter 2016
PD08	Fully Implemented Expedited Work Related Injury Review Panel	Police Commissioner	Cost savings would result from reduction in overtime, which is reflected in Recommendations PD02, PD06, and PD07.					First Quarter 2017
PD09	Develop an Electronic Ticketing Issuing and Tracking System	Police Commissioner	$0	($75,000)	$50,000	$50,000	$50,000	First Quarter 2017
PD10	Increase Parking Fines and Parking Enforcement	Police Commissioner	$0	$5,000	$5,000	$5,000	$5,000	First Quarter 2017
PD11	Train Additional Officers and Regularly Man the Weigh Station	Police Commissioner	$0	$225,000	$225,000	$225,000	$225,000	First Quarter 2017

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
PD12	Establish a Fee for When Other Municipalities Utilize Chester's Weigh Station	Mayor, Police Commissioner	$0	$25,000	$25,000	$25,000	$25,000	First Quarter 2017
PD13	Obtain Reimbursement from School District for Crossing Guards	Mayor, Police Commissioner	$200,000	$200,000	$200,000	$200,000	$200,000	First Quarter 2017
PD14	Prohibit Crossing Guard Participation in Pension and Benefit Plans	Mayor, Police Commissioner, City Solicitor	This is included to be preventative of additional and illegal potential costs					Fourth Quarter 2016
Total Impact			**$200,000**	**$2,085,000**	**$2,266,000**	**$2,322,000**	**$2,378,000**	

3.7 PARKS, PUBLIC PROPERTY, AND RECREATION

The Parks, Public Property, and Recreation Department oversees a wide range of recreational opportunities and programs. The Department works to maintain and improve Chester's parks while planning the presentation and use of the City's open space. The Department is also responsible for facilities and vehicle maintenance.

TABLE 3.17—PARKS, PUBLIC PROPERTY, AND RECREATION, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$1,621,047	$1,664,957	$1,710,137	$1,756,625	$1,804,459
Health Insurance	$1,184,421	$806,589	$887,248	$975,973	$1,073,570
Pension	$463,393	$472,150	$481,593	$491,224	$501,049
Benefits	$306,897	$313,035	$319,296	$325,682	$332,195
Contract Services	$172,890	$178,076	$183,419	$188,921	$194,589
Materials, Supplies, Equipment, and Maintenance	$102,299	$104,345	$106,432	$108,561	$110,732
Utilities	$570,279	$587,387	$605,009	$623,159	$641,854
Other	$27,542	$28,093	$28,655	$29,228	$29,812
Total	**$4,448,767**	**$4,154,632**	**$4,321,787**	**$4,499,372**	**$4,688,260**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

PPR01 – FORMALIZE AND CENTRALIZE FLEET MANAGEMENT

Responsible Party:				Target Completion:
Director of Parks and Public Property				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$5,000	$10,000	$20,000	$25,000

Chester does not have a centralized fleet management. Each department is responsible for their own vehicles. The City should centralize fleet management for all City vehicles – Streets, Public Works, Police and Fire in Parks, Public Property, and Recreation. Centralization of fleet management will allow the City to better manage and schedule maintenance and leases, achieve cost savings by competitively bidding out fuel and maintenance services for all City vehicles, and share vehicle between the Streets Department and Parks Department to optimize fleet size.

In addition to centralization of fleet management, the City needs to explore leasing vehicles versus purchasing vehicles. Recently, more police departments have begun to lease, rather than purchase, police vehicles due to the costs benefits of the lease maintenance programs. Even if the City intends to continue to purchase rather than lease vehicles, it must development a structured vehicle replacement process to ensure an available, functioning fleet without the need for significant, variable costs in any one year.

The City should develop a budget neutral position for fleet manager, who will report to the CFO. The fleet manager shall use a fleet management specific databases for every City vehicle. The database should include the following:

- vehicle use by employee and department
- direct costs such as fuel and maintenance costs
- indirect costs
- fueling frequency
- maintenance schedule
- estimated maintenance costs
- replacement schedule
- estimated replacement costs
- depreciation

The fleet manager should distribute vehicle use and cost reports regularly to each department and establish a regular standing meeting with department deputy managers/directors. We believe the city could realize 10 percent savings overtime.

3.8 LONG TERM INDEBTEDNESS

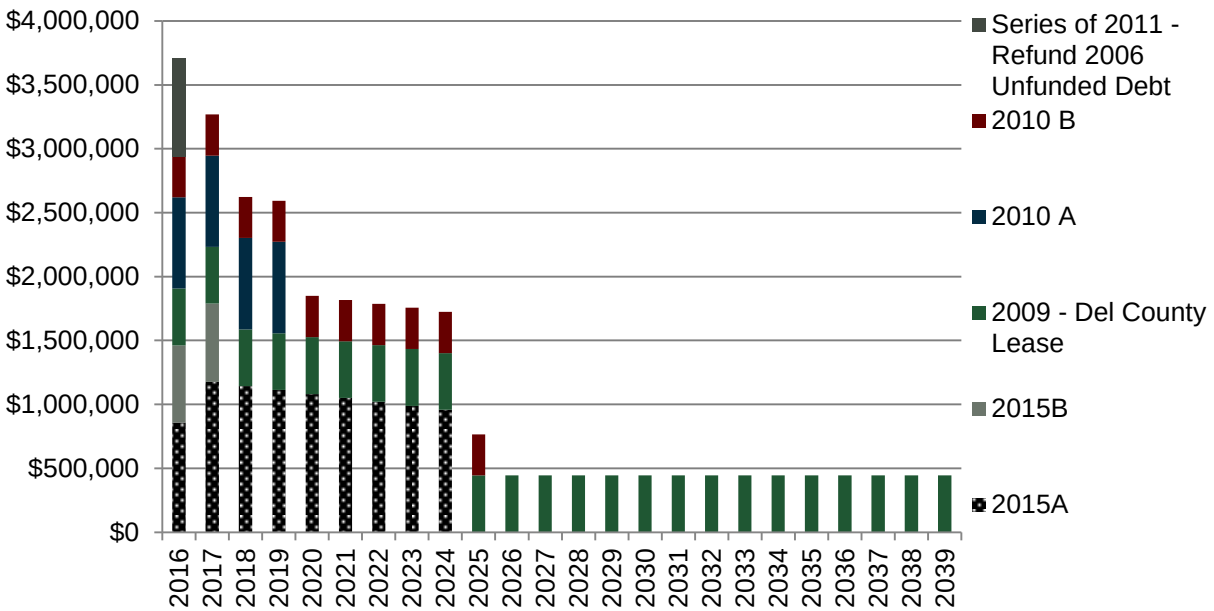
Debt service costs include principal and interest payments due on all outstanding short-term and long-term debt, such as revenue bonds, long-term lease obligations, and Commonwealth loans. Debt service payments over the term of this Recovery Plan are outlined in Table 3.18. Figure 3.2 shows the significant decline in debt service payments from 2016 to 2039.

TABLE 3.18—DEBT SERVICE, 2016-2020

Debt	2016	2017	2018	2019	2020
Series of 2009 - Del County Lease	$444,520	$443,433	$443,483	$443,383	$444,383
Series of 2010 A	$713,779	$714,737	$714,434	$715,860	-
Series of 2010 B	$320,595	$320,992	$321,206	$321,237	$322,074
Series of 2011-Refund 2006 Unfunded Debt	$770,182	-	-	-	-
Series 2015A	$857,387	$11,746,567	$1,143,625	$1,112,683	$1,081,740
Series 2015B	$604,297	$613,953	-	-	--
Total	$3,710,760	$3,267,681	$2,622,747	$2,593,162	$1,848,197

Source: City of Chester Financial Reports (2016)

FIGURE 3.2—ANNUAL DEBT SERVICE, 2016-2039



Source: City of Chester Financial Reports (2016)

In 2009, Delaware County issued its General Obligation Bonds, Series 2009 in the principal amount of $28,950,000 as part of the overall financing to build a soccer stadium in Chester. Pursuant to a contribution agreement between the City and Delaware County, Chester has agreed to pay the County an annual payment representing 25 percent of the annual debt service incurred by the County.

In late 2010, the City refunded its Series 2001 notes in the amount of $8,2100,000 with a Series 2010A note in the amount of $5,895,000 and the transfer of existing Debt Service Reserve Fund monies totaling $2,375,210. The refinancing resulted in approximately $440,000, or 7.5 percent, net present value savings.

The refunding occurred at the same time that the City executed a separate financing (Series 2010B) in the principal amount of $3,985,000 to meet the obligations associated with allowing the Chester Upland School District to become a sponsoring district of DCCC. The sponsorship requires an upfront $4.0 million payment in addition to annual membership payments. The debt service on the nearly $4.0 million borrowing is secured by the 1 percent of table gaming revenue guaranteed to Chester as a casino host community. If the debt service and annual membership costs of being a sponsoring district exceed the funds generated by 1 percent of table gaming revenue, then the school district will make up the difference. Since the table gaming revenue associated with this debt service is not included in the City's General Fund budget, the table

above does not include the Series B borrowing. There is $2,835,000 outstanding on the Series 2010B borrowing, which carries a 2.605 percent interest rate. Annual debt service is approximately $320,000 and the borrowing matures in 2025.

The Series 2010A and 2010B Notes were borrowed through the Delaware Valley Regional Finance Authority ("DelVal"). DelVal has issued bonds to provide funds for these loans and loans to other municipalities and has entered into interest rate swap agreements with Bank of America, N.A., Barclays Bank, PLC, and Citigroup N.A.. The program's objective is to reduce the borrowing costs of participants in the DelVal loan program and to enhance the ability of the participants to manage their interest rate risk.

In 2011, the City refunded its Series 2006 deficit funding notes in the amount of $4,500,000 with a 2011 Note in the amount of $3,720,000 and funds already deposited into the 2006 Note Sinking Fund. The Series 2011 borrowing was executed through DelVal and matures in December 2016, the same maturity of the Series 2006 Note.

In June 2015, Chester refunded its outstanding Series 2004 and 2007 Notes in the amounts of $6,730,000 and $1,203,210, respectively, through direct fixed rate bank loans with PNC Bank. The Series 2015A Guaranteed Revenue Refunding Note, which refunded the Series 2004 Note, had an original principal amount of $8,140,000 and carries a 3.283 percent fixed interest rate. The 2015A Note has a mandatory tender on March 1, 2020 and matures on March 1, 2024. The outstanding balance on this Note as of June 1, 2016 is $7,540,000.

The Series 2015B Guaranteed Revenue Refunding Note, which refunded the Series 2007 Note, has an original principal amount of $1,600,000, carries a 2.682 percent fixed interest rate, and matures on October 1, 2017. The outstanding balance on this Note as of June 1, 2016 is $896,051.

The Series 2015 refunding was a key recommendation of the 2013 Amended Recovery Plan and resulted in $354,000 net present value savings (3.7 percent savings of the present value of the refunded debt). Moreover, the City achieved near-term cash flow savings by extending the maturity of the Series 2004 Note from 2019 to 2024, resulting in significant near-term cash flow relief. Finally, the refunding allowed the release of $1.9 million in Debt Service Reserve Fund proceeds that secured the Series 2004 Note, which the City was able to apply to a combination of capital and operating purposes.

TABLE 3.19—BORROWING BASE CALCULATION

	2013 (audited)	2014 (unaudited)	2015 (unaudited)
Total Revenues Received	$46,588,562	$44,193,382	$43,407,954
Less			
Revenues for Self-Liquidating Debt	($17,666,584)	($18,002,007)	($17,747,201)
Grants	($1,289,070)	($974,519)	($635,978)
Total Adjusted Revenues and Financing Sources	**$27,632,908**	**$25,216,856**	**$25,024,775**
TOTAL ADJUSTED REVENUES FOR THREE YEARS			$77,874,539
BORROWING BASE (Total Adjusted Revenues divided by 3)			$25,958,180
GROSS BORROWING CAPACITY Non-Electoral Debt Limit (250% of Borrowing Base)			$64,895,449
Non-Electoral Debt Limit and Lease Rental Debt Limit (350% of Borrowing Base)			$90,853,629

3.9 INSURANCES

Insurances include expenses for workers compensation, payments for insurance claims, and insurance expenses such as short-term disability, property, vehicle, and public officials' liability. Chester's insurances are very high and in 2016, represent approximately seven percent of its expenditures.

TABLE 3.20— INSURANCES, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Claims	$553,964	$565,043	$576,344	$587,871	$599,628
Insurance	$531,805	$542,441	$553,290	$564,356	$575,643
Refunds	$69,245	$70,630	$72,043	$73,484	$74,954
Other	$294,986	$300,885	$306,903	$313,041	$319,302
Total	**$1,450,000**	**$1,479,000**	**$1,508,580**	**$1,538,752**	**$1,569,527**

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

RECOMMENDATIONS

INS01 – IMPLEMENT A COMPREHENSIVE RISK MANAGEMENT PROGRAM

Responsible Party: **Director of Accounts and Finance, CFO**

Target Completion: **Third Quarter 2017**

2016	2017	2018	2019	2020
$0	$10,000	$40,000	$40,000	$40,000

Chester should develop a comprehensive risk management program that identifies, reduces or minimizes risk to its property, interests, and employees. The development and implementation of a risk management program can be used to seek negotiate lower insurance rates and will help protect and minimize risk to Chester's property, services, and employees and ensure the continuity of government operations

The City should ensure that it continues to regularly update its Policy Manuals for each department, which should help the City obtain lower insurance premium rates. The departments must develop new policies and review relevance of old polices when deploying new equipment, such as Tasers and body cameras for the Police Department. The City should also explore accreditation, which would also help the City address its high insurance premiums.

The cost savings reflect roughly a one percent reduction in non-health benefit related insurance costs once fully implemented by 2018, which includes mostly worker's compensation costs.

Best practices taken directly from the Government Finance Officers' Association below explain implement and reviewing a risk management program.

> Risk Implementation: To implement a risk management program, consideration should be given to the establishment of risk management policies and procedures that includes a statement of the organization's goals, identifies officials charged with carrying out risk-related functions (e.g., planning, organizing, coordinating, implementing, monitoring, and controlling the government's risk management program), and contains guidelines for making decisions about fundamental activities (e.g., risk control and risk finance). It is essential that government officials are aware of not only the policies and procedures, but that the risk responses are implemented and effectively carried out.
>
> Risk Program Review – In the environment of shrinking budgets and increased accountability within the government, it is essential that organizations review the effectiveness and efficiency of the risk management programs functioning within their organizations and make changes or modifications as necessary.[16]

INS02 – EXPLORE LESS COSTLY INSURANCE COVERAGES

Responsible Party:				Target Completion:
CFO				**First Quarter 2017**

2016	2017	2018	2019	2020
$0	$40,000	$80,000	$80,000	$80,000

The City currently expends a significant amount for insurance coverage, but the policies also have significant deductible obligations for the City. The City must explore other insurance options to reduce costs both through improved operations and through a rigorous insurance selection process. The City must consider lower deductible requirements as well. In addition, if the City is able to improve its policies and procedures including the implementation of a comprehensive risk management program, and as a result, its delivery of law enforcement services, its number of claims should be reduced. This should also lead to reduced premiums. In addition to implementing a comprehensive risk management program, it is assumed that a roughly two percent reduction in non-health benefit related health insurances could occur by 2018.

[16]Government Finance Officers Association, Creating a Comprehensive Risk Management Program, 2009, http://www.gfoa.org/creating-comprehensive-risk-management-program

TABLE 3.21 – SUMMARY OF RECOMMENDATIONS FOR INSURANCES

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
INS01	Implement a Comprehensive Risk Management Program	Director of Accounts and Finance, CFO	$0	$10,000	$40,000	$40,000	$40,000	Third Quarter 2017
INS02	Explore Less Costly Insurance Coverages	CFO	$0	$40,000	$80,000	$80,000	$80,000	First Quarter 2017
Total Impact			**$0**	**$50,000**	**$120,000**	**$120,000**	**$120,000**	

4.0 WORKFORCE AND COLLECTIVE BARGAINING

4.1 OVERVIEW OF WORKFORCE EXPENSES

The services provided to residents by the City of Chester are labor intensive, and as a result, personnel costs, including wages and benefits, constitute a significant portion of the City's expenditures. In 2015, employee salaries, wages, and overtime accounted for $20.6 million in costs, or about 40 percent of the City's 2015 expenses (see Table 4.1). Longevity payments alone totaled $1,013,539, while worker's compensation totaled $874,584. As noted above, the City also has significant pension payment obligations annually.

If the City will be successful in moving out of distressed status, personnel costs, which include wages, benefits, pension, leave and all other employee related expenditures, must be reduced. As noted, personnel costs for police and fire services have soared in recent years due to problematic interest arbitration awards that failed to recognize the City's financial position, and in fact made it worse. Employee wages and benefits must be brought in line with the City's revenues. If the City's deficit will be reduced or eliminated, it is essential that the City make the difficult choices necessary to appropriately address personnel and labor costs.

TABLE 4.1 – ACTUAL WAGES AND OVERTIME, 2012 TO 2015

Budget Category	2012	2013	2014	2015
Actual Wages/ Salaries[17]	$17,336,386	$15,393,068	$16,505,011	$16,600,000
Overtime	$2,650,746	$3,378,927	$3,551,651	$4,030,000
Total Salaries and Wages	**$19,987,132**	**$18,771,995**	**$20,056,662**	**$20,630,000**

Source: Independent Financial Audits (2012, 2013), City of Chester Finance Department Financial Records (2014, 2015)

[17] wages and salaries include: court time, education incentive, funeral leave, grievance, heavy machinery incentive, longevity, personal, police admin salaries, regular salary, sick pay, truck incentive, unused sick leave, unused vacation leave, vacation and WC longevity

TABLE 4.2 –PROJECTED WORKFORCE AND COLLECTIVE BARGAINING EXPENSES 2015 THROUGH 2020

Expenses	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
Salaries and Wages	$17,600,000	$18,128,000	$18,671,840	$19,231,995	$19,808,955
Overtime	$3,000,000	$3,030,000	$3,060,300	$3,090,903	$3,121,812
Health Insurance[18]	$15,051,429	$11,000,000	$11,550,000	$12,127,500	$12,733,875
Pension – Actual MMO	$5,888,717	$6,000,000	$6,120,000	$6,242,400	$6,367,248
Total	**$41,539,965**	**$38,158,000**	**$39,402,140**	**$40,692,798**	**$42,031,890**

Source: City of Chester Finance Reports (2016), Econsult Solutions (2016)

4.2 EMPLOYEE COMPLEMENT

In 2016, the employee complement essentially returned to its 2012 level (see Table 4.3). This is an overall increase in total positions as compared to the last three years. This increase in employee positions in recent years is inconsistent with the City's financial condition, which requires that the City constantly identify ways to reduce costs. The City currently has a complement of 371.5 full time equivalent (FTE) positions, of which 310 are full time and 61.5 are part-time, many of which are seasonal positions. There are also approximately 22 vacant full-time positions.

[18] 2016 Healthcare expenditures include $4.2 million in delayed 2014 and 2015 health insurance premiums to Independence Blue Cross. The City and Independence Blue Cross made an agreement for Chester to pay all receivables and remain current on its health insurance premium in 2016.

TABLE 4.3 — TOTAL CITY POSITION COUNTY BY UNION, 2012 THROUGH 2016

Union	2012	2013	2014	2015	2016
FOP	106	107	109	113	109
Police Cadets	3	3	3	3	3
IAFF	60	57	62	63	67
Fire Cadets	2	2.5	2.5	7.5	2.5
Teamsters	81	80	79	75	75
Crossing Guards (Teamsters)	32	32	32	32	32
Nonunion Full-Time	62	72	62	59	59
Nonunion Part-Time	25	10	12.5	9.5	24
Total Position Count	**371**	**363.5**	**362**	**362**	**371.5**

Source: City of Chester Salary Ordinances (2012 -2016)

The City is organized into four (4) main entities and numerous departments and offices. Three (3) labor unions represent a significant number of City employees (see Table 4.4).

TABLE 4.4 – CITY FTE POSITION COUNT BY UNION FOR 2016

Union	Covered Positions	FTE Position Count	Contract Term
FOP	All full-time Police Officers, except those at the rank of Chief of Police and above	109	January 1, 2007 through December 31, 2016
IAFF	Fire Fighters, except Commissioner	67	January 1, 2007 through December 31, 2016
Teamsters	Clerks, highway department employees, code enforcement officers, crossing guards	107	January 1, 2011 through December 31, 2013
Non-Union Employees	Various, includes FOP and IAFF cadets	88.5	N/A
Total		**371.5**	

Source: City of Chester Salary Ordinance (2016)

PUBLIC AFFAIRS

The Public Affairs Department includes the Mayor's office, the Office of City Planning, the City Solicitor's Office, and the Police Department. There are 178 positions in the Public Affairs Department, the vast majority of which are in the Police Department. There are currently a

number of vacant positions within the Police Department. In 2008, the City obtained a Police on Patrol grant, which initially paid for an additional five (5) Police Officers. The grant supported an additional three (3) officers above the base complement at the time of 96 full time officers. However, now that the grant has expired, the City is responsible for the costs of any additional officers. The overall complement of Police Officers has grown, in part due to a change to the Police Officer work schedule in 2010. The 2016 Salary Appropriation reflects a police complement of 106 uniformed police positions and an additional six (6) police administration positions. Specific recommendations are contained in other sections of this Plan.

ACCOUNTS AND FINANCE

The Accounting and Finance Department includes the Director's Office, the Treasurer's Office, the Assessor's Office, the office of the City Clerk, the Human Resources Office, the Purchasing Office and the Controller's Office. There are 20 positions in the Accounting and Finance Department. The Accounting and Finance Department will need to identify opportunities for improved efficiencies, and will need to learn to do more with less. This will include identifying opportunities for outsourcing and other costs reductions.

PUBLIC SAFETY

The Public Safety Department consists of the Director's Office, the Fire Department, Licenses and Inspections Department, the Health Department and the Community Health Education Department. Overall, the Public Safety Department has 96 budgeted positions, of which 70 are within the Fire Department. The Fire Department has a significant command structure, which includes 13 positions above the rank of Fire Fighter. There are currently 30 Fire Fighter positions, 26 apprentice positions and five (5) vacant "cadet" positions. Specific recommendations are contained in other sections of this Plan.

STREETS

The Streets Department includes the Director's Office, the City Engineer's Office and the Highway Department. There are 31 full time positions and three part time positions in the Streets Department. As with the other Departments, the Streets Department will need to reduce its employee complement and identify opportunities for outsourcing and other costs reductions including personnel costs.

RECOMMENDATIONS

WF01 – REDUCE NON-UNIFORM EMPLOYEE COMPLEMENT BY 10 PERCENT

Responsible Party:				Target Completion:
Mayor, City Council				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$400,000	$410,000	$420,000	$430,000

Specific complement reductions for the Police and Fire Departments are outlined above in Sections 3.6 and 3.5 respectively. In addition, the City must consider a similar reduction in its non-uniform workforce. A ten (10) percent reduction in the overall complement, achieved primarily through attrition, would result in significant savings. The City will need to evaluate which positions are most critical and those that can be eliminated (or not filled) with a minimal impact on essential services. An overall reduction of 10 percent will be achieved.

WF02 – EXPLORE ADDITIONAL SUBCONTRACTING OPPORTUNITIES

Responsible Party:				Target Completion:
Director of Streets, Director of Public Works				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$50,000	$51,000	$52,000	$53,000

The City should explore additional subcontracting opportunities for snow plowing, streets repair, and code enforcement to name a few. City officials stated that in the past, they have had to contract with snow plows unexpectedly because there were not enough City workers available. Contracting during high demand situations increases the cost of contracting significantly. The City should negotiate service contracts at the end of every year for services to be provided the following year. This helps reduce the potential for unexpected high contract costs and can reduce overtime of City employees who are trying to fulfill the service.

4.3 SALARIES AND COMPENSATION

As noted, personnel costs are significant, and salaries and other forms of cash compensation constitute a significant portion of those costs. In addition to making the difficult, but necessary decisions with respect to the employee complement, the City must take the necessary steps to control wages and salaries. Both the Police and Fire Departments experienced significant wage growth due to lopsided interest arbitration awards that failed to recognize the City's financial position. Since 2013, the city has increased wages from nine to 18 percent depending on bargaining unit (see Table 4.5). Inflation over those four years has been roughly three percent. The City must reign in wage costs.

TABLE 4.5— WAGE INCREASES

Bargaining Unit	2013	2014	2015	2016	Total Increase from 2013 to 2016
FOP	4.5%	4.5%	4.5%	4.5%	18.0%
IAFF	3.5%	3.5%	4.0%	4.5%	15.5%
Teamsters	3.0%	3.0%	3.0%	3.0%	12.0%
Nonunion	3.0%	3.0%	1.5%	1.5%	9.0%
CPI[19]	230.280	233.916	233.707	236.916	2.9%

[19] CPI from January of each year, all consumers. Bureau of Labor Statistics, CPI Detailed Report-April 2016, Table 24.

RECOMMENDATIONS

WF03 – IMPLEMENT A WAGE FREEZE AND MEASURED WAGE GROWTH

Responsible Party:				Target Completion:
Mayor, City Council				**Fourth Quarter 2016**
2016	**2017**	**2018**	**2019**	**2020**
$0	$530,000	$720,000	$920,000	$1,130,000

The City should implement a wage freeze for 2017, and should allow for measured, reasonable wage growth in 2018, 2019 and 2020 of 2 percent.

In addition to hourly and annual wages, the City also makes significant longevity payments to employees.

TABLE 4.6—LONGEVITY PAY BY UNION, 2012 - 2015

Union	2012 Actual	2013 Actual	2014 Actual	2015 Actual
FOP	$448,875	$545,864	$537,462	$647,456
IAFF	$332,692	$374,254	$427,981	$366,083
Total	**$781,567**	**$920,118**	**$965,443**	**$1,013,539**

Source: City of Chester Finance Reports (2016)

WF04 – ELIMINATE LONGEVITY PAY FOR NEW HIRES

Responsible Party:	Target Completion:
Mayor, City Council	**Third Quarter 2016**

This will result in significant future cost savings from new hires

Longevity pay shall not be provided to employees hired after the date of adoption of this Plan or to current employees who do not reach eligibility for the payment before the expiration of the applicable collective bargaining agreement

WF05 – CAP LONGEVITY PAYMENTS AT 7 PERCENT OF BASE WAGES

Responsible Party:				Target Completion:
Mayor, City Council				**Fourth Quarter 2016**

2016	2017	2018	2019	2020
$0	$120,000	$124,000	$128,000	$132,000

There will be no increase in longevity payments for any employee after the adoption of this Recovery Plan. In addition, the City will implement a cap of 7 percent of base salary on all longevity payments effective January 1, 2017. There are currently 25 Fire Fighters and 35 Police Officers who have longevity pay ranging from 8 percent to 16 percent. It is estimated that the City could save $120,000 in longevity pay in the first year of implantation.

WF06– CHANGE PAYROLL TO BI-WEEKLY

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**

2016	2017	2018	2019	2020
$0	$14,000	$14,400	$14,800	$15,000

The City currently pays its employees each week, and a significant number of employees continue to receive paper pay checks. As a result, the City spends significant time and resources processing paychecks. The City will move to a biweekly pay period and issue pay biweekly instead of weekly.

WF07 – MANDATE DIRECT DEPOSIT

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**

2016	2017	2018	2019	2020
$0	$12,000	$12,000	$12,000	$12,000

The City currently issues its weekly payroll by check or direct deposit. Many employers and governments mandate direct deposit, which decreases the cost of payroll processing. The City should mandate that all current employees and any future hires receive their wages through direct deposit. Switching to entirely direct deposit is also a more secure way of issuing paycheck and reduces check fraud risks. Exceptions for employees requesting to continue to receive a paper paycheck should only be approved with sufficient justification.

OVERTIME AND PREMIUM PAY

The City's overtime expenditures have been significant in recent years (see Table 4.7). Overtime costs in the police department have more than doubled in three short years. Various factors have led to these significant overtime costs, and many of those factors are addressed elsewhere in this Plan. For example, minimum staffing provisions, of any form, shall be eliminated and the City will take steps to limit the amount of time necessary positions remain vacant. The City will also work to develop work schedules and deploy staff in a manner to improve efficiency and reduce overtime. Each department head must be accountable for his or her overtime expenditures.

TABLE 4.7—OVERTIME BY BARGAINING UNIT, BY YEAR

Union	2012	2013	2014	2015
Police	$1,279,088	$2,208,281	$2,156,966	$2,730,000
Fire	$1,066,881	$902,076	$1,175,266	$1,094,000
Teamsters	$295,981	$262,605	$218,943	$201,000
Nonunion	$9,338	$5,965	$1,597	$5,000
Total	**$2,651,287**	**$3,378,927**	**$3,552,771**	**$4,030,000**

The City's collective bargaining agreements have overly lenient definitions of what time can be counted toward an employee's eligibility for overtime. For example, the FOP collective bargaining agreement provides that the overtime rate will be paid for all hours worked over eight per day. In addition, if an officer is called to work outside of his or her regularly scheduled shift, the officer is paid the overtime rate. These provisions drive up the City's overtime costs.

WF08 – PAY OVERTIME RATE ONLY WHEN REQUIRED BY LAW

Responsible Party:
Labor Counsel, City Solicitor
City Council

Target Completion:
First Quarter 2017

2016	2017	2018	2019	2020
$0	$30,000	$31,000	$32,000	$33,000

The City shall only pay overtime when an employee works over 40 hours per week, or the maximum number of hours permitted by law. Assuming the city is able to reduce overtime from 2015 levels due to recent changes associated with the new administration, we then assume an approximate overtime reduction of 5 percent over the 2014 overtime expenditures (which was still nearly $1 million higher than the 2012 overtime expenditure).

WF09 – DO NOT COUNT PAID LEAVE AS HOURS WORKED FOR OVERTIME ENTITLEMENT

Responsible Party:
Labor Counsel, City Solicitor, City Council

Target Completion:
First Quarter 2017

2016	2017	2018	2019	2020
$0	$30,000	$31,000	$32,000	$33,000

The City shall change the calculation of overtime eligibility such that only hours actually worked shall be counted toward the computation of overtime for an additional savings of five percent.

PAID LEAVE COSTS

City of Chester employees currently receive a significant number of paid leave days annually, well in excess of many public employers and far greater than those provided by private employers. This impacts the City both in the level of services provided as well as financially. Days off, especially paid vacation and personal leave, generally require hiring additional employees to provide the services when other employees are on leave. Depending on the position, paid leave often requires other employees to fill the position on an overtime basis. Like any kind of paid leave, sick leave can drive overtime expenses higher by creating vacancies that must be filled or work backlogs that must be reduced by employees working overtime. That potential is especially high with sick leave since the employee absences are unplanned and management has less time to adjust staff schedules to compensate for the absence. If overtime is not used, then fewer services are provided by the City.

The City shall undertake a thorough analysis and study and jointly develop with the relevant bargaining units a reduction in the number of paid leave days, following the guidelines set forth below. The City shall explore other leave models, such as paid time off. The changes shall be implemented effective January 1, 2017.

The guidelines include the following:

- Each paid leave day shall be paid at the employee's regular base hourly rate of pay for the number of hours usually worked by that employee on his or her regular work shift or by the average hours usually worked by that employee on his or her regular work shifts; where applicable the paid leave shall be expressed in hours rather than days.
- There shall be no premium pay for those services provided on a 24 hours per day, 7 days per week basis, including police and fire services, with the exception of Christmas, Thanksgiving, and New Year's.
- Management shall have the right to determine the maximum number of employees from each platoon, shift, department or other organizational unit who can take vacation, compensatory, and personal leave at any given time and to set different thresholds throughout the year. This will help the City reduce overtime and provide services associated with several employees taking vacation and other forms of leave at the same time.
- Employees who work less than 75% of their scheduled hours per month shall not earn paid leave for that month. The 75% shall be calculated by including hours actually worked, plus hours paid as vacation leave, compensatory time, personal leave, holidays, jury duty leave and bereavement leave.
- The City will eliminate sick leave payout at the time of retirement/resignation for all new hires, eliminate the annual payment of unused sick leave for all employees, and cap sick leave payouts, including those termed "severance pay," at the time of retirement/resignation for current employees at $10,000.
- The City will eliminate the payment of holiday pay/time on an annual or semi-annual basis, and provide employees paid time off on holidays as operations allow.

WF10 – REDUCE PAID LEAVE, SICK TIME, AND HOLIDAYS

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$88,000	$90,000	$93,000	$96,000

The City should reduce paid leave, sick time, and holidays. Uniform Police Officers and Fire Fighters receive holiday pay, whether or not they work holidays. If the City reduced its number of holidays from 14 to 12, using holiday pay as a baseline to estimate the cost savings of reduced paid leave, sick time and holidays, the City would see even greater savings than estimated here.

WF11 – CAP EMPLOYEES SICK LEAVE BANK

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$80,000	$80,000	$80,000	$80,000

Upon retirement, Chester Fire Fighters can be compensated for up to 130 unused sick days and Police Officers can be compensated for 60 unused sick days. This results in significant severance payouts. In 2015, Chester made severance payments totaling $288,000 to 12 employees for an average payment of $24,000 per employee. The City should cap the sick leave bank and provide a maximum payout of $10,000 to those who reach the cap at retirement. Assuming 8 retirees a year, this could yield an annual savings of $80,000.

WF12 – ELIMINATE ANNUAL SICK LEAVE PAYOUT

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$130,000	$130,000	$130,000	$130,000

Certain City workers can receive a cash payout for a portion of their unused sick leave every year. In 2015, the City paid out $135,508 in unused sick leave and paid out $132,201 in 2014. The City should eliminate the sick leave payout starting in 2017. Sick leave it intended to over employees paid time off when they are sick, it is not intended to serve as an additional form of compensation.

WF13 – ELIMINATE AUTOMATIC HOLIDAY PAYMENTS

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$80,000	$82,000	$84,000	$87,000

The City pays Fire Fighters and Police Officers for holidays in a lump sum each year, even if employees are not scheduled to work those holidays. Assuming overtimes needs on holidays, we conservatively assume that the city could reduce its holiday payments by 15 percent for those not scheduled to work on holidays.

4.4 HEALTHCARE AND OTHER FRINGE BENEFITS

Employee benefit costs include spending for health care, insurance, pensions, uniforms, and Social Security contributions. As a percentage of total costs, employee benefits represent 27.6 percent of total operating spending. Health care and police pension costs are the most volatile and the most expensive components of employee benefits.

HEALTH BENEFITS

Total medical-related coverage costs (which include health insurance, dental insurance, and other medical coverage) have placed an enormous burden on the City's operating budget (see Table 4.8). On average, they represent about 18 percent of the city's overall budgeted expenditures. These relatively high benefit costs need to be brought under better control. Currently these costs are not offset by cost sharing by employees since no employees are required to contribute to the cost of their health insurance premiums.

TABLE 4.8– CITY HEALTH INSURANCE PREMIUM, BY YEAR

Category	2012 Budgeted Amounts	2013 Budgeted Amounts	2014 Budgeted Amounts
Budgeted City Health Premium (Active and Retiree) [20]	$7,967,607	$8,823,218	$9,386,009
Total Budgeted Expenditures[21]	$43,31,971	$47,172,655	$51,064,490
Health Premium as a Proportion of Budget	18%	19%	18%

Source: City of Chester Finance Reports (2016), Econsult Solutions (2016)

[20] City health premium payment to Independence Blue Cross for active and retired employees. Does not include vision, dental, or medical reimbursements.
[21] The tax revenue anticipation notes obtained in 2014 and 2015 are not included in the total budgeted expenditures

WF14 – MOVE ALL EMPLOYEES ONTO THE SAME HEALTH, DENTAL AND VISION INSURANCE PLAN

Responsible Party:	Target Completion:
Mayor, City Council, City Solicitor	**First Quarter 2017**

This will reduce administrative burden and temper increases in future healthcare costs.

The City currently maintains a number of different health plans, which results in administrative inefficiencies and deprives the City of increased purchasing power. The City will take steps to move all employees onto the same health plan effective with the City's plan year beginning after January 1, 2017. Any collective bargaining agreement, interest arbitration award, grievance arbitration, memoranda of understanding or other labor agreement entered into following the adoption of this plan shall not include the name of any specific health, dental, vision, prescription or other welfare, benefit or insurance plan, carrier, provider, etc. Any collective bargaining agreement, interest arbitration award, grievance arbitration, memoranda of understanding or other labor agreement entered into following the adoption of this plan shall not include any limitation on prescription copays.

WF15 – REQUIRE EMPLOYEE CONTRIBUTIONS TOWARD THE COST OF HEALTH, DENTAL AND VISION COVERAGE

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$680,000	$750,000	$830,000	$910,000

Employees must share in the increasing costs of their healthcare coverage. The minimum employee contributions for all employee groups shall be seven percent (7%) of the applicable monthly premium rate(s) for the tier(s) of coverage selected, without maximums. The projected financial impact is shown below. All employee contributions shall be through payroll deductions. Any current employee contributions or cost sharing for health, dental, vision, prescription, disability or other insurance shall not be reduced.

Any costs which must be paid by the City whether as premiums, fines, penalties, expenses, taxes, fees or in any other manner, as a result of federal or state statutes and implementing regulations governing health insurance benefits based on the insurance benefits provided by the City and required employee contributions shall be considered a cost to the City in calculating any employee contribution requirements. Should such legislation and/or regulations require additional amounts to be paid by the City, the City may recoup such additional amounts and/or avoid the imposition of such additional amounts through either modifications to the health care plan and/or by increased employee contributions.

WF16 – IMPLEMENT PLAN PROVISIONS TO REDUCE PREMIUM OBLIGATIONS

Responsible Party:	Target Completion:
Mayor, City Council, City Solicitor	**First Quarter 2017**

This will reduce administrative burden and most likely reduce health care costs.

The City shall consolidate its various plans to the extent possible, including plans offered to current employees and retirees. Health care benefits provided to widows and dependent children of employees who die in the line of duty shall be the same health care benefits as may be provided to current employees in the applicable bargaining unit. This shall change from time to time, and the widow and dependent children shall be required to pay the same amount as current employees would pay for such coverage. All future retirees eligible for retiree healthcare benefits shall be placed on the same plan as active employees until such time as the eligible retiree is Medicare eligible. All Medicare eligible retirees shall only be eligible for a Medicare Supplemental plan.

WF17 – CONSOLIDATE AND LIMIT PLANS

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$55,000	$61,000	$67,000	$74,000

The City and unions should reduce healthcare expenditures by bringing plan design features in line with market norms. At a minimum, the following features should be addressed each year, to adjust and evaluate these and other cost-sharing mechanisms with periodic upward adjustments for inflation and/or changing market conditions:

- Increased copays for primary physician, specialist, and emergency room visits;
- Increased deductibles and out-of-pocket maximums;
- Increased coinsurance;
- Increase prescription copays;
- Mandate use of automatic mail order (home delivery for maintenance prescriptions, with opt-out).

The City shall also develop and implement a wellness plan, provided that the wellness plan will result in reduced premium payments.

WF18 – CONDUCT A DEPENDENT AUDIT

Responsible Party:				Target Completion:
Director of Human Resources				**Second Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$27,500	$30,000	$33,000	$36,000

The City must also take steps to ensure that it is only providing coverage for eligible employees and dependents. Therefore, the City shall undertake a dependent audit to verify coverage entitlements.

OTHER FRINGE BENEFITS

In addition to health, dental and vision benefits, the City offers other fringe benefits to employees. In many cases, these fringe benefits are required by a collective bargaining agreement. As with all other City expenses, the costs to provide these benefits must be controlled to the greatest extent possible. In most, if not all, instances, the City is responsible for the full cost of providing these additional benefits.

WF19 – ELIMINATE ANNUAL PAYMENTS FOR PREVIOUSLY EARNED DEGREES/CREDITS

Responsible Party:				Target Completion:
Director of Human Resources				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$14,000	$16,000	$18,000	$20,000

Employees should be encouraged to continue their education, and the City may continue to offer reimbursement for course work in fields related to the eligible employees' job duties. However, the City is currently obligated to make annual, recurring payments to Police Officers and Fire Fighters who have already earned certain educational credits and degrees. For example, Police Officers are entitled to receive a recurring, annual payment of $200.00 once the Police Officer has obtained 60 credits in a police-related subject from an accredited college or university, and an additional $200.00 per year (for a total of $400.00) if the officer has obtained 120 credits. These payments are required for the remainder of the officers' careers with the City. Similarly, Fire Fighters can earn $200.00, $400.00 or $900.00 annually after receiving certain degrees. While employees should still be encouraged and incentivized to pursue educational opportunities, these required annual payments are a significant cost and shall be eliminated effective January 1, 2017.

WF20 – CONVERT SHORT TERM DISABILITY COVERAGE TO VOLUNTARY PROGRAM

Responsible Party:				Target Completion:
Director of Human Resources				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$60,000	$60,000	$60,000	$60,000

The City offers a significant amount of paid time off, including vacation time, sick leave, paid holidays, personal leave, bereavement leave, leave for jury and other court-related matters, and various other forms of paid leave. Employees are also eligible for benefits when injured during the course and scope of their employment. On top of all these benefits, the City offers Teamsters employees short term disability benefits. In many ways, these disability benefits are redundant and unnecessary, but most importantly, the coverage is expensive. The City currently pays 100 percent of the premium cost for these disability benefits, which totals approximately $60,000 each year. Effective as soon as possible following the adoption of this Recovery Plan, the City shall convert the mandatory short term disability benefit coverage to an employee-paid, voluntary program. Any employee electing to continue such short term disability coverage shall be responsible for all premium costs associated with such coverage.

4.5 PENSION OBLIGATIONS

Chester administers three single-employer defined benefit pension plans: the Police Pension Fund, Paid Firemen's Pension Fund, and Officers & Employees Retirement System. These plans cover substantially all full-time employees. Police and fire employees contribute 5 percent of their salaries plus $1 per month to their respective pension funds. City officers and other employees hired before January 1, 1988, contribute a minimum of 3 percent of their pay, and those hired on and after January 1, 1988, contribute 3.5 percent of their pay an increase from 1 percent beginning on March 1, 2016.

The Police and the Officers & Employees' pension funds had unfunded actuarially accrued liabilities of approximately $51.9 million and $8.1 million respectively (see Table 4.9). Police Pension Fund assets covered 31 percent of its fund's accrued liability, while Officers & Employee Pension Fund assets covered only 11 percent of its fund's accrued liability. The Commonwealth requires this unfunded liability to be amortized, resulting in an additional obligation above normal pension costs and administrative expenses. The Paid Firemen's Pension Fund is funded at 96 percent.

TABLE 4.9—SUMMARY OF ACTUARIAL DATA AS OF 1/1/15

Actuarial Categories	Fire	Police	Officers & Employees
Actuarial Present Value of Future Benefits	$40,003,682	$89,153,121	$10,920,386
Actuarial Present Value of Future Normal Cost	$5,647,057	$13,498,057	$1,830,603
Actuarial Accrued Liability	$34,356,625	$75,655,064	$9,089,783
Actuarial Value of Assets	$33,100,351	$23,770,657	$990,525
Unfunded Actuarial Accrued Liability	$1,256,274	$51,884,407	$8,099,258
Funded Percentage of Accrued Liability	**96%**	**31%**	**11%**

Source: Pension Actuarial Reports as of 1/1/15

The City's pension MMO has increased over the past several years with a decrease in 2016 (see Table 4.10). Even with the decrease in 2016, the City's pension expenses take up larger share of the City's budget.

TABLE 4.10– SUMMARY OF TOTAL MMO, BY YEAR

Pension Category	2012	2013	2014	2015	2016
Police	$1,865,056	$2,906,548	$3,824,942	$5,408,043	$4,741,872
Fire	$1,320	$0	$207,303	$607,372	$118,972
Officers & Employees	$399,962	$606,847	$709,116	$1,032,155	$1,027,873
Total	**$2,266,338**	**$3,513,395**	**$4,741,361**	**$7,047,570**	**$5,888,717**

Source: City of Chester Financial Reports (2012-2016)

In 2009, the Commonwealth passed legislation that provided short-term pension relief for localities. The legislation was in response to the severe economic downturn in 2008 and 2009 and subsequent loss of tax revenue and decline in pension assets. Without the legislation, local governments faced steep increases in MMO obligations that would have required tax increases or significant service cuts. The legislation allowed local governments to amortize short-term losses over an extended period and also reduced amortized obligations in the short-term. But by providing short-term relief, this legislation represents another example of covering current financial challenges by pushing the obligation off to the future.

There will be no increase in benefits or any pension enhancements for any City employee during the life of this Recovery Plan and any extension or amendment to the Plan. Benefits or enhancements include, but are not limited to: increases in the benefit formula, enhancements to service increments, reductions in the percentage of compensation that members must contribute, changes to the definition of compensation that expand the sources of compensation, implementation of a Deferred Retirement Option Program where one does not exist, implementation of increases for retirees, or adding the ability to purchase years of service.

Each plan is administered by its own board. Although the members of each board serve without compensation, outside vendors (such as actuaries, investment consultants, trustees, investment managers and legal counsel) receive compensation for performing various services. Information with respect to the costs associated with utilizing these outside vendors is not available in the City's records.

The City shall conduct a study comparing the total cost of administering each plan to see which model is most cost-effective. The City shall also explore the cost of utilizing the Pennsylvania Municipal Retirement System to administer the plans. The most cost effective model should then be used for all three plans. All assets from the three plans shall be consolidated into one master trust, with one set of service providers. This consolidated structure may result in significant cost efficiencies.

Commonwealth law requires all municipalities, including Chester, to make annual contributions to the pension funds based on a calculation of MMO. The MMO is based on an annual actuarial valuation that takes into consideration annual pension costs, contributions by employees, pension asset valuations, investment rate and salary increase projections, and amortization assumptions. The table below describes the key statistics for the Police and Non-Uniform pension funds as of January 1, 2015.

OFFICERS AND EMPLOYEES RETIREMENT SYSTEM

Employees participating in the Officers & Employees Retirement System are eligible for full retirement at age 65 and are 100 percent vested after five years of service. A voluntary early retirement is also available after age 55 and 10 years of service. The pension benefit equals 1.65 percent times average compensation (three latest years) multiplied by the years of service (up to 30 years). The plan's survivor benefit is a monthly annuity equal to 50 percent of the benefit the participant would have received if terminated at the date of death. There is no disability benefit.

WF21– INCREASE EMPLOYEE CONTRIBUTIONS

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$142,000	$146,000	$150,000	$155,000

Given the current, significant unfunded status of the Officers & Employees Retirement System, the City must address the funding status. Employees must do their part to address the funding status of their pension plan. Participating employees will be required to increase their current contributions from one to five percent of base pay. Current employees will contribute four percent of their wages toward their pension benefits effective January 1, 2017 and five percent of their wages toward their pension benefits effective January 1, 2018.

WF22 – IMPLEMENT DEFINED CONTRIBUTION PLAN

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$15,000	$30,000	$45,000	$60,000

The City must also take steps to ensure that its pension obligations do not continue to strangle its general fund budget. Therefore, the City must act now to reduce future obligations. Any non-uniform employee hired following the adoption of this Recovery Plan shall not be eligible to participate in the City's defined benefit pension plan, but instead will be enrolled in a defined contribution plan created and established in accordance with applicable law. The City will still be required to make payments into its existing pension funds, however, the City will significantly reduce and eventually eliminate its future pension burden by implementing a defined contribution plan.

The City shall explore the viability of prospectively replacing its pension plans with a defined contribution plan under Code Section 457 for future service. Federal tax law prohibits the use of a 401(k) plan for governmental employees, but a Code Section 457 plan, while not identical, can deliver a similar type of defined contribution retirement benefit as a 401(k) plan.

THE POLICE PENSION FUND

Each Police Officer who has completed 25 years of service and who has attained age 50 is eligible for "normal retirement." The normal retirement benefit is equal to 50 percent of the average monthly W-2 earnings of the officer during the 12 months immediately preceding retirement. The W-2 earnings include regular wages, overtime, longevity pay, and the value of any payments at retirement for unused vacation, sick and personal time that was earned during the 12 months prior to retirement. A Police Officer retiring is also entitled to an additional benefit of $100 per additional year of service upon completion of 26 years of service. Members contribute 5 percent of pay. The plan also provides for early retirement after 20 years of service, regardless of the officer's age, and a disability retirement benefit. The disability retirement benefit is equal to 50 percent of the average monthly W-2 earnings as set forth above, which is offset by any social security disability benefits received as a result of the disability.

An Interest Arbitration Award, effective January 1, 2012, increased the pension service increment who retired on or after January 1, 2012 to $500. In addition, the Award adjusted the benefit calculation for any officer hired after January of 2012. The Award also provided for vesting at 12 years of service with receipt of pension benefits at age 50.

The pension benefits provided to all future plan participants shall comply with the Third Class City Code, including the limits on the monthly pension benefits, the age and years of service requirements and the limits on service increments.

WF23 – ADJUST FINAL AVERAGE SALARY CALCULATION

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$80,000	$160,000	$250,000	$330,000

A practice has developed, whereby Police Officers work a significant amount of overtime in the 12 months prior to retirement, which results in a significant increase in the monthly pension benefit earned. In many instances, this results in much higher monthly pension benefits and has a significant negative impact on the health of the pension fund. The final average salary calculation for the police pension fund shall be adjusted to a 60-month period rather than a 12 month period. In addition, the final average salary computation, for purposes of calculating the monthly pension benefit shall only include base salary and longevity pay, and shall not include overtime, paid leave, shift differential, holiday pay, or any other form of differential or premium pay.

WF24 – INCREASE OFFICER CONTRIBUTIONS

Responsible Party:				Target Completion:
Mayor, City Council, City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$220,000	$230,000	$240,000	$250,000

As noted, the City's annual required MMO payments are significant, and have had a disastrous impact on the City's budget. Officers must do their part to help improve the funding status of the Police Pension Fund. Officer contributions will increase to eight (8) percent effective January 1, 2017.

The City also maintains a Deferred Retirement Option Program ("DROP") for Police Pension Fund participants. The DROP allows eligible officers to elect distribution of the monthly benefit, which is placed in an interest bearing account, and remain employed. The DROP results in increased costs to the City because officers continue to earn higher salaries and longevity payments than their replacements would receive. There are also administrative costs for administering the DROP. The Police Pension Plan DROP will comply with all of the DROP requirements of Act 44 of 2009.

The City will also conduct a cost study of the impact of the DROP and will ensure that the DROP complies with Act 44 requirements. Participation in the DROP will be limited to three (3) years.

PAID FIREMAN'S PENSION FUND

In contrast to the City's other pension plans, the Paid Firemen's Pension Fund is relatively healthy. Each paid Fire Fighter who has completed 25 years of service and who has attained age 50 is eligible for "normal retirement." The normal retirement benefit is equal to 50 percent of the average monthly W-2 earnings of the Fire Fighter during the 12 months immediately preceding retirement. The W-2 earnings include regular wages, overtime, longevity pay, and the value of any payments at retirement for unused vacation, sick and personal time that was earned during the 12 months prior to retirement. A Fire Fighter retiring is also entitled to an additional benefit of $100 per additional year of service upon completion of 26 years of service. Members contribute 5 percent of pay. The plan also provides for early retirement after 20 years of service, regardless of the Fire Fighter's age, and a disability retirement benefit. The disability retirement benefit is equal to 50 percent of the average monthly W-2 earnings as set forth above, which is offset by any social security disability benefits received as a result of the disability.

An Interest Arbitration Award, effective January 1, 2012, increased the pension service increment who retired on or after January 1, 2007 to $500. In addition, the Award adjusted the benefit calculation for any officer hired after January of 2012.

The pension benefits provided to all future plan participants shall comply with the Third Class City Code, including the limits on the monthly pension benefits, the age and years of service requirements and the limits on service increments

WF25 – ADJUST FINAL AVERAGE SALARY CALCULATION

Responsible Party: **Mayor, City Council, City Solicitor**

Target Completion: **First Quarter 2017**

2016	2017	2018	2019	2020
$0	$35,000	$72,000	$108,000	$144,000

A practice has developed, whereby Fire Fighters work a significant amount of overtime in the 12 months prior to retirement, which results in a significant increase in the monthly pension benefit earned. While the Fund is healthy now, this practice will eventually negatively impact the health of the plan. The final average salary calculation for the police pension fund shall be adjusted to a 36 month period rather than a 12 month period. In addition, the final average salary computation, for purposes of calculating the monthly pension benefit shall only include base salary and longevity pay, and shall not include overtime, paid leave, shift differential, holiday pay, or any other form of differential or premium pay.

The City also maintains a Deferred Retirement Option Program ("DROP") for Fund participants. The DROP allows eligible Fire Fighters to elect distribution of the monthly benefit, which is

placed in an interest bearing account, and remain employed. The DROP results in increased costs to the City because officers continue to earn higher salaries and longevity payments than their replacements would receive. There are also administrative costs for administering the DROP. The City should cap interest earnings. The Fireman's Fund DROP will comply with all of the DROP requirements of Act 44 of 2009.

The City will also conduct a cost study of the impact of the DROP and will ensure that the DROP complies with Act 44 requirements. Participation in the DROP will be limited to three years.

OTHER POST-EMPLOYMENT BENEFITS

The Government Accounting Standards Board ("GASB") now requires governments to measure and report the cost of Other Post-Employment Benefits ("OPEB") for public employees. OPEB includes benefits other than pension that are provided to retirees including medical, prescription drug, dental, vision, hearing, life insurance, long term disability, long term care, death benefits, and any payments made to the retiree that are to be used for such coverage.

The new GASB rules require the use of Accrual Based accounting methods for disclosure of the liabilities related to OPEB costs. The accrual based accounting recognizes costs when benefits are earned, not when the benefit is actually paid.

Like most other governments, Chester uses a "pay-as-you-go" approach for funding OPEB costs. The new rules do not require Chester to pre-fund its OPEB liability. The table below illustrates Chester's enormous actuarially unfunded OPEB liability of $146 million. This liability will grow approximately $4.6 million annually unless material changes are made to the City's benefits structure or funding policy.

TABLE 4.11 — OTHER POST-EMPLOYMENT BENEFITS ACTUARIAL VALUATION RESULTS, 2013

Category	Benefits
Unfunded Actuarial Accrued Liability	$146,177,144
Annual OPEB Cost	$12,473,226
Pay-as-you-go Contribution for 2015	$4,451,137
Net OPEB Obligation Beginning of Year	$31,780,896
Net OPEB Obligation Year End	$39,802,985
Net Change in OPEB Obligation	$8,022,089

Source: City of Chester Audited Financial Statements (2013)

Chester's actuarially unfunded OPEB liability is large relative to similar jurisdictions. The most recent OPEB liability data for each third class City is from 2010, except for two cases – Williamsport and Allentown, where 2009 data was used. Compared to the cities reviewed, Chester's Annual Required Contribution ("ARC") per capita is the highest by a substantial margin and ARC as a percentage of General Fund revenue is higher than all but one City reviewed.

The City must take aggressive steps to address its unfunded OPEB liability.

WF26 – ELIMINATE RETIREE HEALTHCARE FOR ALL NEW EMPLOYEES, ELECTED OFFICIALS, ECT.

Responsible Party: **Mayor, City Council, City Solicitor**

Target Completion**:** **First Quarter 2017**

This will reduce and eventually eliminate the City's future retiree health care costs.

The City will eliminate post-employment retiree healthcare, dental, vision, disability, life insurance, and other benefits for all new employees hired following the date of adoption of this Recovery Plan. For employees covered by existing collective bargaining agreements, this shall apply to employees hired on or after January 1, 2017, which is the date immediately following the expiration of the applicable existing collective bargaining agreements.

WF27 – LIMIT BENEFITS & INCREASE ELIGIBILITY CRITERIA FOR CURRENT EMPLOYEES

Responsible Party:	Target Completion:
Mayor, City Council, City Solicitor	**First Quarter 2017**

This will reduce potential increases in future OPEB costs

Where permitted by law, the City will increase the age and years of service requirements for other post-employment benefits eligibility. In addition, the City will not provide dental, vision, disability, life insurance or other benefits to retirees. The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider. The healthcare, dental, vision, life and other benefits currently provided to existing retirees and vested employees shall not be increased.

WF28 – REDUCE OPEB LIABILITY THROUGH BENEFIT RESTRUCTURING AND FUNDING CHANGES

Responsible Party:	Target Completion:
Mayor, City Council, City Solicitor	**First Quarter 2017**

This will reduce potential increases in future OPEB costs and reduce administration functions related to OPEB

For all employees retiring after the date of adoption of this Plan (or following the expiration of the existing collective bargaining agreements as noted above), the retiree may be enrolled in the same basic health plan as provided to the City's then current employees. The City shall pay for a portion of the cost of the retired employee only. The portion paid by the City shall be equal to the amount which the City pays for single employee coverage for the City's then current employees. The retired employee shall pay the balance of the cost of coverage. Costs of coverage shall be determined using the COBRA rates established by the third party administrator

The City will also explore plan designed changes that will reduce the overall cost of providing retiree healthcare, including copay and deductible increases. There shall be no payments to retirees who opt-out or elect not to take post-retirement medical benefits.

The primary impact of this initiative will be to improve the City's long-term fiscal position, particularly in view of the City's current and future liability for post-employment benefits. It is important to note that the financial projections included in this Recovery Plan do not include the costs of providing retiree health care to future retirees, but have only included the costs of providing retiree health care to those who have already retired and are currently receiving such benefits. The financial impact of both providing such benefits to current employees who retire in the future, as well as the financial impact of limiting such post-retirement benefits for such employees, should be determined by an actuarial study. However, it is clear that there will be significant additional costs over those projected, which to date are unfunded, and that the City must both 1) minimize these significant future costs, and 2) provide a funding mechanism, such

as a trust, specifically for funding post-retirement health care benefits. Failure to take both steps will prevent the City from achieving financial stability. Therefore, the City should establish a trust fund.

4.6 WORK RELATED INJURY AND OTHER EMPLOYEE LEAVE COSTS

As noted elsewhere in this Recovery Plan, workers' compensation and work-related injury leave costs are significant. These costs include direct costs, such as the costs for workers' compensation insurance and the overtime costs incurred in replacing injured workers, as well as indirect costs, such as the costs to the various pension plans that result from increased disability retirements. There are currently a number of Police Officers, Fire Fighters and non-uniform employees on work-related injury leaves.

In addition to the recommendations contained elsewhere in this Recovery Plan, the City must work to address the number of work-related injuries suffered by employees and to actively address those employees currently on a leave of absence.

WF29 – IMPLEMENT AN EMPLOYEE SAFETY PROGRAM

Responsible Party:	Target Completion:
Director of Accounts and Finance, Chief of Staff	**Third Quarter 2017**

The cost of the program will be covered by the cost savings of the number of employees injured on duty

The City shall develop and implement a workplace safety program designed to reduce employee injuries. The Safety Program should be developed at the City-wide level, but should include department and job specific initiatives designed to reduce injuries and accidents. It is estimated that the cost to implement the Safety Program will be covered by the cost savings of reduced worker leaves due to injury. Part of the cost savings of this recommendation are also covered in recommendation INS01 – Implement a Comprehensive Risk Management Program

WF30 – IMPLEMENT A LIGHT/MODIFIED DUTY PROGRAM

Responsible Party:				Target Completion:
Mayor, Police Commissioner				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$14,000	$14,000	$14,000	$14,000

In order to assist employees on leaves of absence due to work related injuries, the City should develop and implement a light duty program in each department. The light or modified duty program would create opportunities for those on injury leave to return to duty in some capacity, which will help reduce the length of work related injury leaves and the related expense. The light/modified duty program will also facilitate earlier return to work dates for injured employees.

WF31 – ACTIVELY MONITOR WORK RELATED INJURIES

Responsible Party:	Target Completion:
Mayor, Police Commissioner	**First Quarter 2017**

In the long-term, this will result in fewer employees receiving disability pensions and fewer employees and less time of officers on Injured on Duty status

The City shall develop and implement a program to actively monitor employees on work-related injuries in order to facilitate return to work dates as quickly as possible. The City shall work with the applicable workers' compensation carrier to require independent medical evaluations, to assign case managers, and to determine benefits as appropriate. Some of the cost savings in regards to employees who return to active duty, are captured in WF28–Implement a Light/ Modified Duty Program.

WF32 – DEVELOP A RIGOROUS EVALUATION PROCESS FOR DISABILITY RETIREMENT APPLICATIONS

Responsible Party:	Target Completion:
Mayor, Police Commissioner	**First Quarter 2017**

This will result in long-term cost savings by awarding fewer disability pensions

The City will only approve disability retirement applications as required by law or contract. The City will explore hiring a third party claims administrator to accept, process, evaluate and take action on disability retirement applications. The cost of the third party claims administrator is assumed to be covered by the cost savings the City will realize from awarding fewer disability retirements.

4.7 COLLECTIVE BARGAINING

In 2015, the City had 370.5 FTE positions. A majority of the City's workforce is represented by one of three (3) labor unions: the Fraternal Order of Police, Lodge No. 19 ("FOP"); the International Association of Fire Fighters, Chester City Fire Fighters Association, Local No. 1400 ("IAFF"); and the International Brotherhood of Teamsters, Local 312 ("Teamsters"). A majority of employees including full time and part time employees are represented by labor unions (refer back to Table 4.5).

THE FOP COLLECTIVE BARGAINING AGREEMENT

The residency provision of the January 2012 FOP interest arbitration award is inconsistent with the residency requirements of the City's Home Rule Charter. The City will implement consistent residency requirements and, if necessary, shall amend its Home Rule Charter as appropriate.

The City will reduce Court Time, Call Time and other forms of premium pay. The City will require that employees turn over any fees received for participating in any court, trial or other proceeding on working time.

The City will not bargain over non-mandatory subjects of bargaining, including but not limited to staffing requirements qualifications for promotion. Any provisions governing non-mandatory subjects of bargaining will be stricken from collective bargaining agreements, arbitration awards, memoranda of understanding, settlements and other labor agreements entered into following the adoption of this Recovery Plan.

The City will not provide, at its expense, retiree life insurance coverage.

FIRE FIGHTERS LOCAL 1400 COLLECTIVE BARGAINING AGREEMENT

The residency provision of the December 2011 Fire Fighters interest arbitration award is inconsistent with the residency requirements of the City's Home Rule Charter. The City will implement consistent residency requirements and, if necessary, shall amend its Home Rule Charter as appropriate.

The City will not bargain over non-mandatory subjects of bargaining, including but not limited to staffing requirements and qualifications for promotion. Any provisions governing non-mandatory subjects of bargaining will be stricken from collective bargaining agreements, arbitration awards, memoranda of understanding, settlements and other labor agreements entered into following the adoption of this Recovery Plan. The City will not agree to schedule employees for any minimum number of hours of work. Emergency duty call back time will be limited to two (2) hours or the actual hours worked, whichever is greater.

The City will not provide, at its expense, retiree life insurance coverage.

TEAMSTERS COLLECTIVE BARGAINING AGREEMENT

The Teamsters collective bargaining agreement expired on December 31, 2013 and the parties have been operating without an agreement since that time. Teamsters employees continue to work under the terms of the expired agreement.

The City will not agree to schedule employees for any minimum number of hours of work, and hourly, non-exempt employees will only be paid for hours worked. Restrictions on the City's ability to utilize temporary employees and subcontractors will be eliminated following the adoption of this Recovery Plan. The City will explore alternative scheduling options to allow for employee availability outside of traditional business hours without the need for overtime costs.

The City will not bargain over non-mandatory subjects of bargaining, including but not limited to staffing requirements and qualifications for promotion. Any provisions governing non-mandatory subjects of bargaining will be stricken from collective bargaining agreements, arbitration awards, memoranda of understanding, settlements and other labor agreements entered into following the adoption of this Recovery Plan.

The City will provide for healthcare benefit coverage for employees on leaves of absences for only the minimum amount of time required by applicable law.

TABLE 4.12 – TOTAL PERSONNEL COSTS PER BARGAINING UNIT[22]

Union	2015 Actual	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
FOP	$19,134,442	$22,308,220	$20,317,892	$21,200,940	$22,144,426	$23,153,664
IAFF	$9,636,525	$11,234,909	$10,232,537	$10,677,259	$11,152,419	$11,660,693
Teamsters	$4,704,551	$5,484,882	$4,995,523	$5,212,637	$5,444,610	$5,692,749
Non-Union	$5,499,884	$6,412,135	$5,840,047	$6,093,865	$6,365,055	$6,655,144
Total	**$38,975,402**	**$45,440,146**	**$41,386,000**	**$43,184,700**	**$45,106,509**	**$47,162,251**

Source: City of Chester Finance Reports (2016), Econsult Solutions (2016)

The FOP and the Fire Fighters Local 1400 agreements expire on December 31, 2016. The FOP and Fire Fighters agreements are based on interest arbitration awards. The FOP award was issued in January of 2012 and covered the period January 1, 2012 through December 31, 2016. The Fire Fighters award was issued in December of 2012 and is effective for the period January 1, 2007 through December 31, 2016.

The FOP and IAFF interest arbitration awards were historically bad and profoundly unfair to the City and its residents. The awards had a significant, negative financial impact on the City. The awards were entirely inconsistent with the terms of the recovery plan in place at the time and the City's financial position. The negative effects of the awards have been experienced in the short term and will also have negative ramifications over a period of years. The City must work to unwind these extremely detrimental interest arbitration awards that were thrust upon the City.

As an initial matter, all future collective bargaining agreements, arbitration awards, arbitration settlements, grievance settlements, grievance awards/decisions and all other labor agreements must be in full compliance with this Recovery Plan. If this Recovery Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this Recovery Plan are revised, any labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) covering such subsequent period shall comply with the initiatives and obligations contained herein without regard to the period of agreement specified in any such initiative or obligation.

[22] Total personnel costs per bargaining unit include salaries and wages; overtime; healthcare; pension MMO; and other employee benefits.

Furthermore, all new collective bargaining agreements, memoranda of understanding, and interest arbitration awards, grievance arbitration awards, settlements and any other labor agreements between the City and the unions beginning after the adoption of this Recovery Plan may not contain any of the following:

- Any provision inconsistent with the terms of this Recovery Plan;
- Any increase in pay or benefit-s associated with new duties, changes in duties, or activities required by this Recovery Plan;
- Any new overtime, differential, or premium pay benefits or requirements;
- Any increase in existing overtime or premium pay benefits or requirements, or the continuation of existing overtime and premium pay benefits and requirements which are prohibited or modified by this Recovery Plan;
- Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery Plan;
- Any increase in clothing allowances or other similar allowances for tools, equipment, etc.;
- Any new or additional paid or unpaid leave or pay for time not worked;
- Any improvements to existing paid or unpaid leaves or time not worked, nor the continuation of existing paid and unpaid leaves or time not worked which are modified by this Recovery Plan;
- 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, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which are modified by this Recovery Plan;
- Any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status) or any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that are modified by this Recovery Plan;
- Any provision which impairs or restricts the City's ability to engage qualified contractors or temporary workers to perform services for the City, including services currently provided by bargaining unit personnel;
- Any provision which impairs or restricts the City's ability to transfer work to another entity, including services currently provided by bargaining unit personnel;
- Any provision which restricts the City’s ability to require an employee to work a "light duty" position within that employee’s medical restrictions, and in any department or bargaining unit within the City;
- Any provision obligating the City to provide “light duty” to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;

- Any provision restricting or limiting the City's rights under the law, including rights to unilaterally modify non-mandatory subjects of bargaining and otherwise act on managerial prerogatives.
- Any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made.

WF33– ENSURE ALL LABOR AGREEMENTS/AWARDS COMPLY WITH AMENDED PLAN

Responsible Party:	Target Completion:
City Solicitor, Director of Accounts and Finance, CFO	**First Quarter 2017**

This is each unions' share of the cost savings represented by the different recommendations.

The City shall take steps to establish new collective bargaining agreements consistent with and not in violation of this Recovery Plan. The timelines contained in Act 111 shall be adhered to strictly and may not be waived for the FOP and Fire Fighters. If an arbitration award is not issued prior to the expiration of the collective bargaining agreement then the City shall implement all of the provisions and initiatives of this Recovery Plan to the maximum extent legally consistent with Act 47. The City shall immediately appeal and challenge any interest arbitration award or grievance arbitration award inconsistent with the terms of this Recovery Plan.

All collective bargaining agreements, interest arbitration awards, grievance arbitration awards, settlements, memoranda and labor agreements of any kind issued or entered into after the adoption of this Recovery Plan must be strictly compliant with and not exceed the total projected costs for each bargaining unit after implementation of the following initiatives in this Workforce and Collective Bargaining Chapter as shown below.

The total projected impact of the Workforce and Collective Bargaining Initiatives in this Chapter by bargaining unit are shown in Table 4.13. Table 4.13 sets forth the net results of all recommendations associated with personnel costs and collective bargaining, and sets forth the maximum expenditures limits for each bargaining unit and group of employees for each year of this Recovery Plan. Should any recommendation or initiative not be implemented for any reason whatsoever, including any legal challenges, the cost savings from such initiative must be replaced with other cost savings for the applicable bargaining unit or group of employees such that the maximum expenditures set forth in Table 4.13 are not maintained.

TABLE 4.13—PERSONNEL EXPENDITURE LIMITS PER BARGAINING UNIT[23]

Union	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
FOP	$22,108,220	$17,587,433	$18,293,745	$19,052,070	$19,870,743
IAFF	$11,234,909	$7,841,702	$8,166,172	$8,506,447	$8,876,863
Teamsters	$5,484,882	$4,603,003	$4,776,214	$4,960,658	$5,160,057
Nonunion	$6,412,135	$5,338,861	$5,546,569	$5,768,334	$6,007,588

Source: Econsult Solutions (2016)

[23] Personnel spending limits per bargaining unit include salaries and wages; overtime; healthcare; pension MMO; and other employee benefits.

WF34 – UTILIZE OUTSIDE LEGAL COUNSEL FOR CONTRACT LABOR NEGOTIATIONS WITH THE UNIONS

Responsible Party:				Target Completion:
City Solicitor				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
($35,000)	($15,000)	$0	$0	($15,000)

The City should utilize experienced labor counsel in the labor negotiation and Interest Arbitration processes throughout the period of this Recovery Plan. The City shall use qualified counsel as an active participant in the review and development of negotiations proposals and as the chief spokesperson for all contract negotiations and interest arbitrations. In addition to using the counsel for support in collective bargaining, the City shall also use the counsel to review past practices that unnecessarily increase the cost of operations and are permissive subjects of bargaining. The City shall provide a list of such practices to the Recovery Coordinator at the beginning of collective bargaining negotiations with each union.

The direct cost of outside labor counsel is estimated. The cost savings from the hiring of an effective outside legal counsel are represented throughout many of the workforce recommendations.

TABLE 4.14 – SUMMARY OF RECOMMENDATIONS FOR PUBLIC SAFETY

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
WF01	Reduce Nonunion Employee Complement by 10 Percent	Mayor, City Council	$0	$400,000	$410,000	$420,000	$430,000	Fourth Quarter 2016
WF02	Explore Additional Subcontracting Opportunities	Director of Streets, Director of Public Works	$0	$50,000	$51,000	$52,000	$53,000	Fourth Quarter 2016
WF03	Implement a Wage Freeze and Measured Wage Growth	Mayor, City Council	$0	$530,000	$720,000	$920,000	$1,130,000	Fourth Quarter 2016
WF04	Eliminate Longevity Payments for Non-Union Employees and New Hires	Mayor, City Council	This will result in significant future cost savings from new hires					Third Quarter 2016
WF05	Cap Longevity Payments at 7 Percent of Base Wages	Mayor, City Council	$0	$120,000	$124,000	$128,000	$132,000	Fourth Quarter 2016
WF06	Change Payroll to Bi-weekly	Mayor, City Council	$0	$14,000	$14,400	$14,800	$15,000	First Quarter 2017
WF07	Mandate Direct Deposit	Mayor, City Council	$0	$12,000	$12,000	$12,000	$12,000	First Quarter 2017
WF08	Pay Overtime Rate Only When Required by Law	Labor Counsel, City Solicitor, City Council	$0	$30,000	$31,000	$32,000	$33,000	First Quarter 2017
WF09	Do Not Count Paid Leave as Hours Worked for Overtime Entitlement	Labor Counsel, City Solicitor, City Council	$0	$30,000	$31,000	$32,000	$33,000	First Quarter 2017
WF10	Reduce Paid Leave, Sick Time, and Holidays	Mayor, City Council	$0	$88,000	$90,000	$93,000	$96,000	First Quarter 2017
WF11	Cap Employees Sick Leave Bank	Mayor, City Council	$0	$80,000	$80,000	$80,000	$80,000	First Quarter 2017
WF12	Eliminate Annual Sick Leave Payout	Mayor, City Council	$0	$130,000	$130,000	$130,000	$130,000	First Quarter 2017
WF13	Eliminate Automatic Holiday Payments	Mayor, City Council	$0	$80,000	$82,000	$84,000	$87,000	First Quarter 2017

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
WF14	Move all Employees onto the Same Health, Dental and Vision Insurance Plan	Mayor, City Council, City Solicitor	This will reduce administrative burden and temper increases in future healthcare costs.					First Quarter 2017
WF15	Require Employee Contributions Toward the Cost of Health, Dental and Vision Coverage	Mayor, City Council, City Solicitor	$0	$680,000	$750,000	$830,000	$910,000	First Quarter 2017
WF16	Implement Plan Provisions to Reduce Premium Obligations	Mayor, City Council, City Solicitor	This will reduce administrative burden and most likely reduce healthcare costs					First Quarter 2017
WF17	Consolidate and Limit Plans	Mayor, City Council, City Solicitor	$0	$55,000	$61,000	$67,000	$74,000	First Quarter 2017
WF18	Dependent Audit	Director of Human Resources	$0	$27,500	$30,000	$33,000	$36,000	Second Quarter 2017
WF19	Eliminate Annual Payment for Previously Earned Degrees/Credits	Director of Human Resources	$0	$14,000	$16,000	$18,000	$20,000	First Quarter 2017
WF20	Convert Short Term Disability Coverage to Voluntary Program	Director of Human Resources	$0	$60,000	$60,000	$60,000	$60,000	First Quarter 2017
WF21	Increase Employee Contributions	Mayor, City Council, City Solicitor	$0	$142,000	$146,000	$150,000	$155,000	First Quarter 2017
WF22	Implement Defined Contribution Pension Plan	Mayor, City Council, City Solicitor	$0	$15,000	$30,000	$45,000	$60,000	First Quarter 2017
WF23	Adjust Final Average Salary Calculation	Mayor, City Council, City Solicitor	$0	$80,000	$160,000	$250,000	$330,000	First Quarter 2017

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
WF24	Increase Officer Contributions	Mayor, City Council, City Solicitor	$0	$220,000	$230,000	$240,000	$250,000	First Quarter 2017
WF25	Adjust Final Average Salary Calculation	Mayor, City Council, City Solicitor	$0	$35,000	$72,000	$108,000	$144,000	First Quarter 2017
WF26	Eliminate Retiree Healthcare for all New Hires	Mayor, City Council, City Solicitor	This will reduce and eventually eliminate the City's future retiree health care costs.					First Quarter 2017
WF27	Limit Benefits & Increase Eligibility Criteria for Current Employees	Mayor, City Council, City Solicitor	This will reduce potential increases in future OPEB costs					First Quarter 2017
WF28	Reduce OPEB Liability through Benefit Restructuring and Funding Changes	Mayor, City Council, City Solicitor	This will reduce potential increases in future OPEB costs and reduce administration functions related to OPEB.					First Quarter 2017
WF29	Implement an Employee Safety Program	Director of Accounts and Finance, Chief of Staff	The cost of the program will be covered by the cost savings of the number of employees injured on duty					Third Quarter 2017
WF30	Implement a Light/Modified Duty Program	Mayor, Police Commissioner	$0	$14,000	$14,000	$14,000	$14,000	First Quarter 2017
WF31	Actively Monitor Work Related Injuries	Mayor, Police Commissioner	In the long-term, this will result in fewer employees receiving disability pensions and fewer employees and less time of officers on Injured on Duty status					First Quarter 2017
WF32	Develop a Rigorous Evaluation Process for Disability Retirement Applications	Mayor, Police Commissioner	This will result in long-term cost savings by awarding fewer disability pensions					First Quarter 2017
WF33	Ensure All Labor Agreements/Awards Comply with Amended Plan	City Solicitor, Director of Accounts and Finance, CFO	This is each unions' share of the cost savings represented by the different recommendations					First Quarter 2017

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
WF34	Utilize Outside Legal Counsel for Contract Labor Negotiations with the Unions	City Solicitor	($35,000)	($15,000)	$0	$0	($15,000)	First Quarter 2017
Total Impact			**($35,000)**	**$2,891,500**	**$3,344,400**	**$3,812,800**	**$4,269,000**	

5.0 COMMUNITY AND ECONOMIC DEVELOPMENT

Chester's future rests in its capacity to successfully implement a long-term strategy to invigorate community and economic development and expand and diversify the tax base. The City's Planning Department and the City's contribution to CEDA constitutes the Community and Economic Development related General Fund expenses. The Planning Department is charged with planning and evaluating land uses throughout Chester.

TABLE 5.1—COMMUNITY AND ECONOMIC DEVELOPMENT, PROJECTION 2016-2020

Expenses	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Salaries and Wages	$207,876	$213,507	$219,300	$225,262	$231,396
Health Insurance	$151,886	$103,433	$113,777	$125,154	$137,670
Pension	$59,423	$60,546	$61,757	$62,992	$64,252
Benefits	$39,355	$40,142	$40,945	$41,764	$42,599
Contract Services	$126,858	$130,664	$134,584	$138,621	$142,780
Materials, Supplies, Equipment, and Maintenance	$13,118	$13,381	$13,648	$13,921	$14,200
Other	$3,532	$3,603	$3,675	$3,748	$3,823
Total Operating Expenses	**$602,049**	**$565,276**	**$587,686**	**$611,463**	**$636,720**
CEDA Operations[24]	$180,000	$180,000	$180,000	$180,000	$180,000

Source: City of Chester Financial Reports (2016), Econsult Solutions (2016)

Although the socio-economic section of this chapter paints a challenging statistical picture, the data fail to account for the inherent strengths that Chester can capitalize on:

- its riverfront location,
- easy accessibility,
- proximity to the Philadelphia and Wilmington markets,
- proximity to large energy producers

[24] The City transfers $180,000 to CEDA's operations annually. These are not classified here as a direct economic development operating expense for the City's governmental function

- Widener University,
- Crozer-Keystone Medical Center
- Philadelphia Union soccer team and Talen Energy Stadium
- Harrah's Philadelphia Casino and Racetrack.

Chester's geographic location, highway network, and transportation options add to the competitive advantage of the City and "present unique opportunities for the movement of people and goods into and out of the City of Chester."[25]

Geographically, Chester is within a 20-mile radius of Wilmington, Philadelphia, and the Philadelphia International Airport. Its proximity to Interstate 95 provides easy access to markets in Philadelphia, New York City, Wilmington, Baltimore, and Washington, DC. Since the 1985 opening of Interstate 476, the City also has taken advantage of other markets throughout Delaware County and Northeastern Pennsylvania. Additionally, Route 322 links Chester to the markets of New Jersey.

The City's transportation needs are further serviced by the region's primary commuter railroad, run by the Southeastern Pennsylvania Transportation Authority ("SEPTA"). Additionally, there are nine bus routes operated by SEPTA within the City. Combined, these regional transportation services provide easy access to Philadelphia and other communities in Pennsylvania, Delaware, and New Jersey.

On February 18, 2016, Mayor Thaddeus Kirkland released the *Building A Better Chester: 2016 Mayoral Transition Report* outlining the administration's strategic plan. The report placed a particular emphasis on the need for economic development. The current administration intends to stimulate economic growth by creating a marketing strategy for the City, revitalizing the downtown, stimulating business development, and increasing the parking supply.

By transferring funding and manpower to developing a marketing strategy and campaign, Chester intends to attract jobs and talent that may have otherwise landed in other municipalities. The City will be marketed as having both a great academic institution in Widener University and a world class soccer venue in Talen Energy Stadium. In order to promote this message and showcase the City, the administration plans to schedule three to five events supported by local business annually. The City is currently pursuing the following initiatives:

- Host the Cabela King Kat Fishing Tournament in June 2016
- Seek out a Sister-City Initiative with either China, the Philippines, or the UK
- Host and sponsor The Striped Bass Fishing Tournament and The Bass Master's Fishing Tournament

[25] RDC Institute, Chester City Vision 2000.

Revitalization of the downtown will attract investors and talented individuals. In order to accomplish this goal, the City intends to offer more desirable housing by developing mixed use occupancy units and seeking demolition grant funding, particularly through the Pennsylvania "Business in Our Sites" program. In addition, the Mayor and Council will create the Mayor's Council on the Arts, pursue funding from PEW Charitable Trusts and the National Endowment of the Arts, and seek a partnership with Widener University to collaborate on key projects and initiatives.

On May 9, 2916, the Pennsylvania Humanities Council was awarded a $45,000 Our Town grant from the National Endowment for the Arts to support a Creative Exploration Zone (CEZ) in Chester along the 500 block of Avenue of the Arts. PHC saw the creative excitement and resident ownership of "Chester Made", one of Mayor Kirkland's initiatives to brand and market Chester's cultural and arts organizations and assets. It is with this type of partnering and marketing that is needed as part of the business and resident attraction needed to grow the Chester tax base.

RECOMMENDATIONS

EDV01 – CREATE AN ECONOMIC DEVELOPMENT COMMITTEE

Responsible Party:	Target Completion:
Mayor, Chief of Staff	**Third Quarter 2016**

No direct budgetary impact immediately; will improve Chester community and business relations for future growth

In Mayor Kirkland's 2016 Transition Plan, creating a cross-organizational economic development committee was one of his goals. We encourage the Mayor to continue with this plan, naming specific people to the committee and establishing a schedule of regular meetings. We also recommend that the executive director of the RADC and business members be named to this committee as well as part of Recommendation EDV03. The committee should be tasked with the next recommendation, EDV02, developing a comprehensive economic and community development plan.

EDV02 – DEVELOP A COMPREHENSIVE ECONOMIC AND COMMUNITY DEVELOPMENT PLAN

Responsible Party:				Target Completion:
Mayor, Chief of Staff				**Second Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$250,000	$500,000	$1,000,000	$1,500,000

Chester must increase its tax base through business attraction, new jobs, and resident attraction. With a new Mayor and rejuvenated Council, using the Mayor's Transition Report as the first step of this process, the City should put together a comprehensive strategic plan for economic and community development. This plan needs to include input from the City's business community and its residents garnered through input sessions across the City over a specified time period. CEDA and City Council need to partner on the plan development with CEDA leading the economic development portion of the plan and City Council leading the community development. Given the size of CEDA's staff and its resources, it will need labor and organizational support from the City. All City Council members and their departments should be part of the process as well, as it is through theirs and CEDA's coordinated actions that will carry out the plan.

The development and implementation of the plan will give the business community and residents a transparent view into the City's plans and will also include them as partners in the plan. A strategic economic and community development plan created with all stakeholders will also be a way for Chester to market its vision to developers and businesses and give them some certainty of the City's plans for the future. In addition, having the business community and residents can help improve the City's potential of obtaining grants for the development and/or implementation of the plan.

We estimate that the implementation of a comprehensive and inclusive economic development strategy will eventually generate an estimated ten percent increase in tax revenue to the City.

EDV03 – ESTABLISH REGULARLY SCHEDULED MEETINGS WITH MEMBERS OF CHESTER'S BUSINESS COMMUNITY AND ITS ANCHOR INSTITUTIONS

Responsible Party:	Target Completion:
Mayor, Chief of Staff	**Third Quarter 2016**

No direct budgetary impact immediately; will improve Chester community and business relations for future growth

Chester has several anchor institutions and large employers that many other distressed cities would want. these include Widener University, Crozer-Keystone Medical Center, Kimberly Clarke, Covanta, Harrah's Philadelphia Casino and Racetrack, and Talen Energy Park to name a few. However, publically, it appears the City either does not have a relationship with its largest employers or that the relationship is constrained. Many of Chester's largest businesses are part of the RADC, a nonprofit association. The City must be an active participant in the RADC and work with its members to address ways to improve the City's relationship with these businesses, retain the anchor institutions' employees as residents and to attract new businesses. The Mayor's proposed Economic Development Committee, EDV01, is a great opportunity to regularly engage the City and the business community in Chester.

Regular meetings with the City's anchor institutions and large employers must be productive to figure out ways to improve the City's business climate and not only part of the strategic economic development plan process. The businesses in Chester can be some of the City's most influential advocates in helping attract new businesses, and the City must show a firm commitment in regularly working with the business community as a whole, not just by individual business, to help make them its advocates.

TABLE 5.2 – SUMMARY OF RECOMMENDATIONS FOR ECONOMIC DEVELOPMENT

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
EDV01	Create an Economic Development Committee	Mayor, Chief of Staff	No direct budgetary impact immediately; will improve Chester community and business relations for future growth					Fourth Quarter 2016
EDV02	Develop a Comprehensive Economic and Community Development Plan	Mayor, Chief of Staff	$0	$250,000	$500,000	$1,000,000	$1,500,000	First Quarter 2017
EDV03	Establish Regularly Scheduled Meetings with Members of Chester's Business Community and its Anchor Institutions	Mayor, Chief of Staff	No direct budgetary impact immediately; will improve Chester community and business relations for future growth					First Quarter 2017
Total Impact			**$0**	**$250,000**	**$500,000**	**$1,000,000**	**$1,500,000**	

6.0 REVENUES

6.1 INTRODUCTION

As demonstrated in the baseline financial forecasts of this amended Recovery Plan, the City continues to face significant budget deficits, and will in future years if no corrective action is taken. A significant cause of this structural imbalance is the lack of growth in the city's economy and hence in its various tax bases. Compounding the challenges, the City's tax rates are very high relative to other Delaware County municipalities and Pennsylvania third class cities, meaning any further rate increases would worsen the City's competitive position and may have counter-productive long-term implications to the General Fund.

While higher tax rates will generate more revenue in the short-term, in the long-term, higher rates will frustrate Chester's ability to stem the trend of population decline and attract new residents and businesses. However, the elimination of the structural deficit will require enhanced revenues as well as future expenditure reductions.

In the economic development section, we offer recommendations to help encourage growth in the city's economy, which would further increase its revenue capacity. In this section we offer recommendations related to tax rates and collection efficiency. We examine major revenue sources for potential enhancement, but we recognize that the City does not have a lot of options, especially with regard to its local taxes.

Chester's revenues essentially have not grown in the past 5 years, and in 2015, Chester collected approximately $44 million in total revenues from all sources (see Table 6.1). Gaming at Harrah's Philadelphia Casino and Race Track is crucial to the fiscal wellbeing of the City. Slot host revenues are the City's largest source of revenues and table gaming revenues are the fifth largest source of revenue for the City. Real estate taxes are the City's second largest source of revenues, and resident and nonresident earned income tax is its third largest source of revenue. The City also receives almost 13 percent of its revenues from its host impact agreement with Covanta's Delaware Valley Resource Recovery Facility.

TABLE 6.1—GENERAL FUND REVENUES, 2012-2015

Category	2012 Audited	2013 Audited	2014 Unaudited	2015 Unaudited	Proportion of 2015 Revenues
Slots Host Revenue	$10,391,964	$10,302,167	$10,719,978	$10,065,170	23%
Table Gaming Revenue	$2,430,274	$2,146,997	$2,069,692	$1,750,000	4%
Real Estate Taxes	$7,625,709	$7,364,060	$9,232,484	$9,243,735	21%
Earned Income Tax	$8,103,761	$8,878,757	$8,126,039	$8,451,301	19%
Local Services Tax	$228,950	$571,746	$244,374	$522,071	1%
Business Privilege Tax	$1,205,229	$1,660,138	$2,095,287	$1,388,993	3%
Covanta Host Fees	$5,320,501	$5,217,420	$5,212,337	$5,678,356	13%
State Pension Fund Subsidy	$1,415,941	$1,512,895	$1,560,690	$1,497,759	3%
Trash Fees	$1,158,377	$1,207,775	$1,002,771	$1,074,358	2%
Licenses and Permits	$1,097,512	$1,135,134	$976,341	$920,000	2%
Grants	$1,273,150	$1,440,331	$974,519	$635,978	1%
Penalties, Interest, Fines & Forfeits	$243,761	$189,327	$204,096	$211,460	0%
Refunds	$2,442,794	$2,283,593	$1,171,407	$578,293	1%
Other	$1,503,321	$2,678,222	$603,367	$1,390,480	3%
Total	**$44,441,243**	**$46,588,562**	**$44,193,382**	**$43,407,954**	100%

Source: City of Chester, Independent Financial Audits and City of Chester Finance Department

** 2014 & 2015 results unaudited*

TABLE 6.2—PROJECTED 2016 TO 2020 REVENUES FOR CHESTER[26]

Category	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected
Slots & Host Revenue	$10,200,000	$10,404,000	$10,612,080	$10,824,322	$11,040,808
Table Gaming Revenue	$1,800,000	$1,836,000	$1,872,720	$1,910,174	$1,948,378
Real Estate Taxes	$9,400,000	$9,494,000	$9,588,940	$9,684,829	$9,781,678
Earned Income Tax	$8,500,000	$8,670,000	$8,843,400	$9,020,268	$9,200,673
Local Services Tax	$525,000	$530,250	$535,553	$540,908	$546,317
Business Privilege Tax	$1,416,773	$1,445,109	$1,474,011	$1,503,491	$1,533,561
Covanta Host Fees	$5,801,982	$5,918,022	$6,036,382	$6,157,110	$6,280,252
State Pension Fund Subsidy	$1,500,000	$1,515,000	$1,530,150	$1,545,452	$1,560,906
Trash Fees	$1,336,100	$1,349,461	$1,362,956	$1,376,585	$1,390,351
Licenses & Permits	$1,500,000	$1,515,000	$1,530,150	$1,545,452	$1,560,906
Grants	$1,600,000	$1,632,000	$1,664,640	$1,697,933	$1,731,891
Penalties, Interest, Fines & Forfeits	$1,000,000	$1,010,000	$1,020,100	$1,030,301	$1,040,604
Refunds	$1,800,000	$1,854,000	$1,909,620	$1,966,909	$2,025,916
Other	$850,000	$867,000	$884,340	$902,027	$920,067
Total	**$47,229,855**	**$48,039,841**	**$48,865,041**	**$49,705,759**	**$50,562,308**

Source: Econsult Solutions (2016)

[2626] Numbers may not up precisely due to rounding

6.2 CASINO HOST REVENUES

The statutory regulations governing the revenues distributed to Chester from the Pennsylvania Gaming Control Board have been described in detail in the 2006 and 2013 recovery plans.

These revenues represent the largest single source of revenues for the City's General Fund, providing approximately 25 percent of total revenues. Since the last recovery plan, the state's casino industry fell on hard times, and there was much concern about the growth of overall casino revenues, and for Chester, expanded competition hurt casino activity harder than most other locations in the state. As a result, casino revenue growth was much lower than had been anticipated. In the past year, overall growth in Pennsylvania casino activity, including Harrah's, has picked up, and our revenue forecasts reflect a modest two percent growth.

RECOMMENDATIONS

REV01 – LOBBY COMMONWEALTH FOR ADDITIONAL CASINO HOST REVENUES TO DISTRESSED MUNICIPALITIES

Responsible Party: **Mayor, Chief of Staff**

Target Completion: **Ongoing**

2016	2017	2018	2019	2020
$0	$0	$700,000	$710,000	$720,000

We recommend that the City examine the possibility of adjusting the state's casino revenue distribution to provide a higher percentage for any host jurisdictions that are or have been in Act 47, in keeping with one of the original objectives of the gaming legislation was to provide an economic boost to local economies. This recommendation would require a change in state legislation. An increase in table gaming revenue dedicated towards Chester of one percent could mean an increase of $700,000 in revenues from gaming in 2018

6.3 REAL ESTATE TAX REVENUES

Chester is a poor city, and this is reflected most fundamentally in its weak and stagnant real estate market. Continuing population decline, low resident average income, large numbers fo families in deep poverty, extremely high unemployment, and percentage of tax-exempt property are factors that still contribute to this weak real estate tax base. Due to a combination of this weak real estate market and pressing public sector needs, Chester's real estate tax millage rate is one of the highest in the entire metropolitan area. And, to make matters worse, the City uses an assessment system that is different from every other municipality in the County, which leads to the City's assessment ratios to be about half of that of the Delaware County's. As a result, Chester's nominal millage rate is even higher than it would be if it used the County assessment function. The optics of this higher millage rate is another negative factor making Chester appear even less business and investment friendly, and thereby further stunting economic growth. Chester's real estate tax collection rate (in the mid-80s%) is worse than most of the region's taxing jurisdictions. Previous recovery plans have called for actions to increase the collection rate, and the City has achieved some improvement. While we have to be realistic about the ultimate ability of the Chester property owners to pay their taxes, more must be done to improve the current collection rates as well as recover a greater portion of delinquent taxes.

RECOMMENDATIONS

REV02 – IMPROVE CURRENT AND DELINQUENT REAL ESTATE TAX COLLECTION RATES

Responsible Party:
Director of Accounts and Finance, CFO

Target Completion:
First Quarter 2017

2016	2017	2018	2019	2020
$25,000	$90,000	$170,000	$255,000	$340,000

As recommended in previous recovery plans, Chester should implement strategies to improve its 85 percent real estate tax collection rate by 1 percent per year starting in 2017. The City may consider the following strategies to improve its current real estate collections:

- Mailing out its real estate tax bills earlier
- Mail reminder notices for current tax collections –
- Use the website and social media to issue reminders of due dates and penalties for not paying on time
- Reconsider tax statement design
- Make tax payment easier by offering more methods of payment (e.g. credit cards, online payment, payment over telephone)

Another way to improve current real estate tax collections is to more aggressively collect past due and delinquent tax revenues. The City is facing a very challenging financial situation, which could require service reductions and new tax and fee revenues if strong corrective actions are not taken. The City has an obligation to its tax paying residents, business operators, and employees to diligently enforce its tax laws and collect from late payers.

As such, the City should explore hiring a collection agency through a public bidding process to collect its past due and delinquent real estate taxes. Currently, the City's delinquent real estate taxes are turned over to the Delaware County Tax Claim Bureau March 1 the year after they are due. The City could hire a collection agency to collect its late but not delinquent real estate tax payments and/or its delinquent tax payments.

The City should also explore utilizing Pennsylvania Act 90, the Neighborhood Blight Reclamation and Revitalization Act, to lien the property of delinquent Chester property owners who also own property in other Pennsylvania municipalities. Act 90 can also be used as a code enforcement tool to prevent property owners from obtaining permits for any of their properties in Chester. Chester's City Solicitor should review the process in which Act 90 can be effectively used in Chester to improve the quality of life for its residents.

REV03 – TRANSFER UNDERUTILIZED AND TAX DELINQUENT PROPERTIES INTO ECONOMIC ASSETS

Responsible Party:	Target Completion:
Director of Accounts and Finance, CFO	**Ongoing**

Revenue generation captured in EDV02-Develop a Comprehensive Economic and Community Development Plan

We recommend that the City increase all of those efforts, and, in particular, focus on moving underutilized and tax delinquent properties into economic assets via better coordination with economic development efforts. In the past, City administrators attributed some collection rate improvement in part to the hiring of a third-party agency for the collection of delinquent taxes. City officials continue to regularly review lists of existing abandoned, tax-exempt, and tax arrears property within the City to coordinate property management efforts with economic development efforts.

REV04 – ISSUE A NEW RFP FOR A THIRD PARTY TAX COLLECTOR CONTRACT TO COLLECT DELINQUENT TRASH FEES

Responsible Party: **Director of Accounts and Finance, CFO**

Target Completion: **First Quarter 2017**

2016	2017	2018	2019	2020
$0	$40,000	$50,000	$60,000	$70,000

In 2016 the City increased the per household trash fee from $130 to $145 to cover its cost of trash service. The City currently uses a third party to collect delinquent trash fees, but the City believes that the process could be improved. The City has discussed bringing the delinquent trash collection fee in-house as a remedy. However, we recommend the City issue a new request for proposals, regarding its third party trash collections in order to improve the effectiveness of these collections.

REV05 – TRANSITION TO THE DELAWARE COUNTY REAL ESTATE ASSESSMENTS

Responsible Party: **Director of Accounts and Finance, City Solicitor, CFO, Tax Assessor**

Target Completion: **First Quarter 2018**

2016	2017	2018	2019	2020
$0	$0	($65,000)	$0	$0

The Delaware County Assessment Office places a value on each parcel of land and any improvements (structures) in the County. Every municipality in the County, except Chester, uses these assessments as the basis for its real estate tax. Chester applies its own assessment, which is approximately one-half of the County's. The dual assessment results in confusion for some property owners and additional hassle in appeals matters since two assessments require separate appeals. Moreover, dual assessment makes reassessment more costly and burdensome for Chester since the City must expend its own resources for the updates while other communities rely on the County. The City should investigate a transition to County based real estate tax assessments. Since County assessments are higher than the City's, a transition would require an adjustment in the millage rate. For the purposes of this Recovery Plan, it is assumed that City Council would choose to make the change revenue neutral. To protect the City's interest against potential appeals by residents with the change to the Delaware County assessments, Chester should hire an appraiser for one year to work with the City Solicitor.

6.4 ACT 511 TAX REVENUES

Act 511 taxes, which include the earned income tax (EIT), business privilege tax (BPT), and local services tax (LST), are Chester's primary non-real estate local tax sources. They are important factors in establishing the attractiveness of Chester as a location for business and investment activity, but on the other hand their revenues are dependent upon the economic activity in the city. We offer recommendations regarding the EIT, but we make no recommendation for any changes to either the BPT rates (which we reduced slightly several years ago) or to the LST rate (which is set by state law). As always, we recommend that the city increase the efficiency of collections.

EARNED INCOME TAX

The EIT is an important tax for Chester. The current resident and non-resident earned income tax rates of 2.1 percent and 1.1 percent are the highest in Delaware County, but both have been reduced from their highs of 3.0 percent and 2.0 percent in 1996. Since enactment of the 1996 recovery plan, each year the City has exercised its right to petition the Court of Common Pleas of Delaware County to keep the non-resident EIT rate beyond the maximum 1 percent allowed under Act 511, The Local Tax Enabling Act.

We recommend Chester continue to reduce the Act 47 addition of 0.1% to the non-resident rate, going down to 1% by 2018, when the City hopes to exit from Act 47. We also recommend that the City increase its resident EIT rate to 2.5% over the next two years, going to 2.3% in 2017 and to 2.5% by 2018 and beyond.

BUSINESS PRIVILEGE TAX

The City charges a business privilege tax on the gross receipts of businesses operating in Chester. Chester estimates BPT revenue of $1.6 million in 2011, which comprise 2.9 percent of operating revenues.

Consistent with its strategy of reducing tax rates to build the tax base, the City reduced BPT rates in 2008 and 2009. The Table below summarizes the BPT rates for 2016. The City's BPT rates, which are the highest among third class cities in Pennsylvania and among the highest in Delaware County, have not been changed since 2009.

TABLE 6.3 – BUSINESS PRIVILEGE TAX RATES, 2016

City of Chester	2016 Rates
Wholesale Business	0.002736
Retail Business	0.003648
Services	0.003648
Rentals	0.003648

Source: Department of Community and Economic Development

LOCAL SERVICES TAX

In 2015, the City realized $0.5 million in local service tax ("LST") revenues. The LST is an annual $52 tax charged to every City taxpayer that does not qualify for the Low-Income Exemption (annual income below $12,000). The entire $52 LST goes to the municipality and none is allocated to the school district. The $52 LST is the maximum allowed under Commonwealth law.

RECOMMENDATIONS

REV06 – REDUCE NON-RESIDENT EARNED INCOME TAX RATE TO 1.0% BY 2018

Responsible Party: **Mayor, City Council**

Target Completion: **First Quarter 2018**

2016	2017	2018	2019	2020
$0	($275,000)	($550,000)	($550,000)	($550,000)

The City must reduce its nonresident earned income tax gradually over the next two years as condition of exiting Act 47. Based on data from Keystone Collection Group, a 0.1 percent reduction in the non-resident rate will result in approximately $550,000 less in nonresident earned income tax.

REV07 – INCREASE-RESIDENT EARNED INCOME TAX RATE TO 2.75%

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$1,400,000	$860,000	$860,000	$320,000

Chester currently has one of the highest resident EIT rates in the commonwealth. For the past several years, Chester has been incrementally lowering it resident and nonresident EIT rates. Unfortunately, given the severity of Chester's financial deficit, it needs to increase its revenues significantly. In 2015, Chester collected $7.4 million in current year EIT. The resident EIT rate is 2.1 percent and represents approximately 60 percent of its EIT collections, therefore $4.4 million of the EIT collected in 2015. We propose a rate of 2.75 percent be implemented for 2017, lower the rate to 2.5 percent for 2018 and 2019, and reduce to 2.25 percent in 2020. The goal past 2020 is for Chester to continue to lower the resident EIT in line with the 1 percent rate that is the legal allowable limit for most other municipalities in Pennsylvania.

REV08 – IMPLEMENT AN AMUSEMENT TAX

Responsible Party:				Target Completion:
Mayor, City Council				**First Quarter 2017**
2016	**2017**	**2018**	**2019**	**2020**
$0	$800,000	$800,000	$800,000	$800,000

According to Department of Community and Economic Development records, 13 jurisdictions in Delaware County impose an amusement tax rates ranging from 3.0 to 10.0 percent (combined municipal and school district). Eleven Pennsylvania cities, including nine third class cities, have also instituted this tax. The tax rate in eight of these cities is 5 percent and two cities have a 10 percent tax (combined municipal and school district rate). We recommend that Chester implement a 5 percent amusement tax.

6.5 COVANTA HOST COMMUNITY REVENUES

In January 1989, Chester entered into an agreement with Delaware County and Covanta Holding Corporation (then Westinghouse Electric Company). In accordance with the agreement, the City receives from Covanta a fee based on tons of solid waste processed in Chester, with a minimum payment of $2 million per year. The agreement also provides for fee increases over time.

In 1997, American Ref-Fuel Company of Delaware County, L.P. (ARC) purchased the facility and assumed all obligations of the current agreement, and operates as Covanta Delaware Valley L.P. The existing agreement ends December 31, 2016. Covanta has the option to extend the agreement for up to 10 additional years upon the same terms and conditions. In 2014, the City approved Covanta's plans to construct 2 additional buildings which could increase the revenues received by Chester. The current agreement's a base rate of $2.50 per ton of solid waste processed at the facility

TABLE 6.4—COVANTA HOST FEE PAYMENTS TO CHESTER

Year	Covanta Host Fee
2011	$4,455,954
2012	$5,320,501
2013	$5,217,420
2014	$5,212,337
2015	$5,678,356

Source: City of Chester Finance Reports (2011 - 2015)

RECOMMENDATIONS

REV09 – RENEGOTIATE THE HOST COMMUNITY AGREEMENT

Responsible Party:	Target Completion:
Mayor, CFO	**Fourth Quarter 2016**

Proper and prompt renegotiations for more favorable terms than stipulated in the current agreement to prevent the loss of substantial revenue

The revenue from the host community agreement represents ten percent of the city's budget and has been used in the past to secure bond financing. Chester should attempt to increase revenues through the negotiation of more favorable terms than the current contract.

6.6 OTHER REVENUES

Chester receives several other sources of revenue that combined contribute approximately $8.1 million per year to the City revenue stream:

- State pension aid: The Commonwealth annually allocates certain funds to municipalities to support pension funding, which equaled approximately $1.6 million in 2015.
- Trash fees: The City collected approximately $1.1 million in trash fees in 2015.
- Cable TV revenue: Cable TV fees have provided a steady stream of income to the City. In 2015 these generated $440,000.
- Penalties, interest, fines and forfeits: These sources bring approximately $210,000 on to the City.

The City recently reviewed many of its fees, licenses, and permits and increased them to be more in line with other Delaware County jurisdictions and municipalities of similar size in the Commonwealth. This was a recommendation from the 2013 recovery plan. The increase in the fee amounts are already accounted for in the baseline revenue projections. The next step is education, marketing and strategic enforcement of these revenue sources. While it is note that some licenses and permits are to improve the quality of life in Chester, their implementation can be measured by the revenues raised. Chester. Enforcement of these fees can lead to future cost savings in better maintenance of buildings and their surrounding areas.

RECOMMENDATIONS

REV10 – EDUCATE, MARKET, AND ENFORCE FEES, PERMITS, LICENSES AND FINES

Responsible Party:				Target Completion:
Mayor, City Council				**Ongoing**
2016	**2017**	**2018**	**2019**	**2020**
$5,000	$50,000	$75,000	$75,000	$75,000

Chester has many challenges concerning quality of life and revenue generation. It needs to create a culture of buy-in and respect for the City and its residents. Develop an education and marketing campaign to announce any changes to permits and fees. Notification of fee changes should be distributed to groups they will affect including neighborhood and resident associations, buildings and trades associations, etc. After the education campaign, then follow up with consistent enforcement efforts. Make it easy for residents and businesses to know what to pay, where and how. This includes having any potential new fee and permit rates easy to find on the City's website, in any print material to distribute to the appropriate groups, and instructions on how to obtain any related permits and pay fees.

However, it may make more sense for the City to more aggressively address issues such as false alarms and building code deficiencies. Department heads should review other eligible fees that may be enforced with particular focus on fire prevention fees (where public safety benefits would be more important than modest revenue increases).

REV11 – INSTITUTE A FAIR SHARE PROGRAM TO INCREASE PAYMENTS IN LIEU OF TAXES

Responsible Party:				Target Completion:
Mayor, Director of Accounts and Finance, CFO				**Ongoing**
2016	**2017**	**2018**	**2019**	**2020**
$0	$50,000	$100,000	$150,000	$200,000

Over 50 percent of usable property in Chester is non-tax revenue generating because it is used for tax-exempt purposes. Much of the tax-exempt property is devoted to institutional uses such as medical centers, institutions of higher education, religious institutions, and other government sponsored entities.

Since real estate taxes represent such a large percentage of operating revenues, the burden of providing services is shifted to current property holders to offset what is not paid by tax-exempt institutions. Major tax-exempt institutions should be required to enter into fair and equitable Payment In Lieu of Tax ("PILOT") agreements with the City. Prior PILOT agreements need to be updated to reflect current costs. All levels of government and their subsidiary institutions should be required to honor resulting new PILOT agreements. Presently, there is no legislative mechanism to require or enforce such agreements.

By way of example, Binghamton, NY instituted what it called a "Fair Share" program to increase payments in lieu of taxes. The City asked nonprofit and tax-exempt organizations to voluntarily donate 50 percent of what they would pay in City taxes if listed on the tax rolls. The City mailed information packets about the program to 103 organizations. The packets detailed how tax dollars are spent on basic services, the City's primary sources of revenue and major expenses, and cost-saving strategies that the City had already put in place. Chester should consider implementing a similar program to enhance collections from tax-exempt institutions and set a goal of $500,000.

TABLE 6.5—SUMMARY OF RECOMMENDATIONS FOR REVENUES

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
REV01	Lobby Commonwealth for Additional Casino Host Revenues to Distressed Municipalities	Mayor, Chief of Staff	$0	$0	$700,000	$710,000	$720,000	Ongoing
REV02	Improve Current and Delinquent Real Estate Tax Collection Rates	Director of Accounts and Finance, CFO	$25,000	$90,000	$170,000	$255,000	$340,000	First Quarter 2017
REV03	Transfer Underutilized and Tax Delinquent Properties into Economic Assets	Director of Accounts and Finance, CFO	Revenue generation captured in EDV02-Develop a Comprehensive Economic and Community Development Plan					Ongoing
REV04	Issue a New RFP for a Third Party Tax Collector to Collect Delinquent Trash Fees	Director of Accounts and Finance, CFO	$0	$40,000	$50,000	$60,000	$70,000	First Quarter 2017
REV05	Transition to the Delaware County Real Estate Assessments	Director of Accounts and Finance, City Solicitor, CFO, Tax Assessor	$0	$0	($65,000)	$0	$0	First Quarter 2018
REV06	Reduce Non-Resident Earned Income Tax Rate to 1.0 Percent by 2018	Mayor, City Council	$0	($275,000)	($550,000)	($550,000)	($550,000)	First Quarter 2018
REV07	Increase-Resident Earned Income Tax Rate to 2.75 Percent	Mayor, City Council	$0	$1,400,000	$860,000	$860,000	$320,000	First Quarter 2017
REV08	Implement an Amusement Tax	Mayor, City Council	$0	$800,000	$800,000	$800,000	$800,000	First Quarter 2017
REV09	Renegotiation the Community Host Agreement	Mayor, CFO	Proper and prompt renegotiations will maintain the current host fee rate and will prevent the loss of substantial revenue.					Fourth Quarter 2016
REV10	Educate, Market, and Enforce Fees, Permits, Licenses and Fines	Mayor, City Council	$5,000	$50,000	$75,000	$75,000	$75,000	Ongoing

Recommendation		Responsible Party	Budgetary Impact					Target Completion
			2016	2017	2018	2019	2020	
REV11	Institute a Fair Share Program to Increase Payments in Lieu of Taxes	Mayor, Director of Accounts and Finance, CFO	$0	$50,000	$100,000	$150,000	$200,000	Ongoing
Total Impact			**$30,000**	**$2,155,000**	**$2,140,000**	**$2,360,000**	**$1,975,000**	

7.0 FINANCIAL ASSISTANCE FROM THE COMMONWEALTH

7.1 CHIEF FINANCIAL OFFICER

Through Act 47, DCED makes available grants and low to no interest loans that are to be used to build capacity and sound government practices in distressed municipalities. The Recovery Coordinator recommends that the Commonwealth provide grant support for the costs associated with hiring a CFO. The preceding chapters describe the vital need for strong centralized and highly skilled central financial management.

We recommend grant support for this position over Chester's last two years in Act 47 to the schedule presented below which includes a $90,000 salary and budgets an additional 40% to cover the cost of benefits. Final salary will be dependent upon the experience and qualifications of the successful candidate. We also recommend that DCED approve the candidate appointedas CFO.

2016	2017	2018	2019	2020
$0	$150,000	$153,000	$0	$0

7.2 DEPUTY CHIEF FINANCIAL OFFICER

The Recovery Coordinator recommends that the Commonwealth provide grant support for the costs associated with contracting for a temporary, part-time, Deputy CFO. The Deputy CFO will be a third party CPA with strong municipal experience.

We recommend grant support for this publically bid two-year contract. At the end of the contract, Chester's Accounts and Finance staff will take over the responsibilities that will be assumed by and developed by the Deputy CFO. We estimate the contract will cost approximately $80,000 per year for two years. Final contract award will be dependent upon experience and qualifications of the successful respondent, and agreement on the services to be provided and the number of hours worked each week. We also recommend that DCED approve the CPA awarded the contract.

2016	2017	2018	2019	2020
$0	$80,000	$80,000	$0	$0

7.3 DEVELOP A FORMALIZED FIVE-YEAR DEFERRED MAINTENANCE AND CAPITAL IMPROVEMENT PROGRAM

We recommend grant support for Chester to develop its capital improvement program. The grant would be used to develop the framework for the plan and provide training for staff on how to implement, track and update the capital improvement program. Once established, the Capital Improvement Program will be administered by the CFO.

2016	2017	2018	2019	2020
$0	$0	$25,000	$0	$0

7.1 DEVELOP AN ELECTRONIC TICKET ISSUING AND TRACKING SYSTEM

One of Mayor Kirkland's priorities is to improve the quality of life in Chester. We recommend DCED fund the purchase of handheld electronic ticket issuing machines and the back end software for Chester's Police Officers and Nuisance, Housing, and Codes Enforcement Inspectors. We estimate the purchase of these machines to be approximately $100,000. Final cost will be determined by the system selected and number of licenses and handheld machines purchased.

2016	2017	2018	2019	2020
$0	$100,000	$0	$0	$0

8.0 REVISED FINANCIAL FORECAST

8.1 BASELINE FINANCIAL FORECASTS

This chapter presents the revised multi-year financial forecasts reflecting the cumulative budgetary impact of the recommendations described in the preceding chapters. The financial results reflecting these recommendations are presented through a projection of General Fund operating results and fund balance results for 2016 through 2020.

The City's $8.7 million forecasted deficit in 2016 is due to its agreement to pay its past years' health insurance premium to Independence Blue Cross by December 31, 2016. From 2017 forward the ongoing forecast deficit of $4 million grows to $6.5 million per year and is due to the City's structural budgetary imbalance of its expenditures, which are mostly labor related, outpacing its revenues (see Table 8.1).

TABLE 8.1 – BASELINE OPERATING PROJECTIONS, 2016-2020

Budget Category	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
Revenues	$47,229,855	$48,039,841	$48,865,041	$49,705,759	$50,562,308
Expenditures	$56,450,906	$52,141,681	$53,488,467	$55,578,870	$57,093,124
Surplus (Deficit)	($9,221,051)	($4,101,840)	($4,623,426)	($5,873,111)	($6,530,816)
Cumulative Surplus (Deficit)	**($16,263,151)**	**($20,364,991)**	**($24,988,417)**	**($30,861,528)**	**($37,392,344)**

8.2 REVISED FINANCIAL FORECASTS

The Recovery Plan recommendations show the City eliminating its operating deficit in 2018 if all of the Recommendations are implemented as presented herein (see Table 8.2). Chester will be repaying its debts over the next few years and with the implementation of every recommendation, achieve a positive fund balance of $0.5 million by 2020.

TABLE 8.2 – ADJUSTED OPERATING PROJECTIONS WITH IMPLEMENTATION OF RECOVERY PLAN RECOMMENDATIONS, 2016-2020

Budget Category	2016 Projection	2017 Projection	2018 Projection	2019 Projection	2020 Projection
Without Recovery Plan Recommendations					
Revenues	$47,229,855	$48,039,841	$48,865,041	$49,705,759	$50,562,308
Expenditures	$56,450,906	$52,141,681	$53,488,467	$55,578,870	$57,093,124
Surplus (Deficit)	($9,221,051)	($4,101,840)	($4,623,426)	($5,873,111)	($6,530,816)
Cumulative Surplus (Deficit)	**($16,263,151)**	**($20,364,991)**	**($24,988,417)**	**($30,861,528)**	**($37,392,344)**
With Recovery Plan Recommendations					
Revenue Recommendations	$30,000	$2,155,000	$2,140,000	$2,360,000	$1,975,000
Expenditure Recommendations	$269,600	$6,644,000	$6,806,492	$7,982,240	$8,427,869
Act 47 Grant Support	$0	$330,000	$258,000	$0	$0
Adjusted Total Revenues	$47,259,855	$50,194,841	$51,005,041	$52,065,759	$52,537,308
Adjusted Total Expenditures	$56,181,306	$45,167,681	$46,423,975	$47,596,630	$48,665,255
Adjusted Surplus (Deficit)	**($8,921,451)**	**$5,027,160**	**$4,581,066**	**$4,469,130**	**$3,872,053**
Adjusted Cumulative Surplus (Deficit)	**($15,963,551)**	**($10,936,391)**	**($6,355,325)**	**($1,886,195)**	**$1,985,858**

9.0 ACT 47 TIMELINE FOR CHESTER

In the 5th year of a municipality's Act 47 status, the Recovery Coordinator must complete a report setting forth the financial condition of the municipality and make one of the following findings:

- The conditions within the municipality warrant a termination of distressed status
- The conditions warrant a three-year extension and exit plan
- The conditions justify a request by the Secretary of the DCED (Secretary) for a determination of fiscal emergency
- The conditions warrant disincorporation of the municipality

After public notice, a comment period and a public hearing, the Secretary will issue an administrative determination of termination status and the reasons for such determination.

In the case of Chester, the timeline begins from its most recent recovery plan, which was adopted by Chester's City Council in May 2013. Therefore, the Recovery Coordinator must make its recommendation based on Chester's financial condition to DCED in November 2017. In accordance with Act 199, this updated Recovery Plan is written as if Chester exits Act 47 in 2018. This Recovery Plan is aggressive so that Chester can exit Act 47 in 2018. Given the size of the Chester's structural budget challenges, it will have to maintain strict financial oversight and controls the next few years after 2018 to eliminate its cumulated deficit.

EXHIBIT A – JOB DESCRIPTION FOR CHIEF FINANCIAL OFFICER

CITY OF CHESTER

JOB DESCRIPTION

DEPARTMENT: Public Affairs

JOB TITLE: Chief Financial Officer

REPORTS TO: Mayor

JOB PURPOSE: The Chief Financial Officer (CFO) has overall responsibility for the City of Chester's budget, including the development, implementation and monitoring of the budget. The CFO works with the City's various departments to ensure overall coordination of the City's fiscal management. The CFO is responsible for all finance, accounting, budget, debt, investments and related programs and provides ensures coordination across the various City departments to ensure a systemic approach to the City's financial management.

DUTIES AND RESPONSIBILITIES

1. Overall responsibility for developing and implementing the City's annual budget.
2. Serve as the City's representative with respect to various financial institutions, banks, creditors, lenders, auditors and others.
3. Work with department heads, City Council and the Mayor to develop short term and long term financial goals.
4. Monitor and evaluate the City's financial performance and ensure that it is consistent with established short term and long term goals, including the Act 47 Recovery Plan.
5. Overall responsibility for City revenues, including revenue enhancement efforts and revenue collection rates.
6. Approve all expenditures and contracts for goods or services above _____ dollars; work with the Solicitor to ensure compliance with applicable procurement laws.
7. Manage cash flow planning process and ensure fund availability; oversee cash, investments and asset management, and ensure investments consistent with fiduciary and legal obligations.
8. Actively monitor accounts payable and accounts receivable; oversee the collection process, including coordination with third party vendors hired for that purpose.
9. Administer payroll and employee benefit programs, including all employee fringe benefit programs and the City's tax compliance responsibilities.

10. Evaluate departments' expenses and develop budgetary recommendations based on alignment of resources with City's strategic goals and objectives.
11. Prepare, analyze and present monthly, quarterly and annual financial reports, cash flow statements, budget to actual statements, and other financial statements.
12. Regularly evaluate operating budget and make recommendations to the Mayor and City Council regarding the attainment of financial objectives.
13. Identify and implement systems to provide critical financial data and reports.
14. Develop and implement internal financial controls, policies and procedures.
15. Oversee the City's debt.
16. Oversee coordination of grants program.
17. Oversee the development of a comprehensive risk management plan.
18. Work with payroll firms, auditors and other third parties as required to deliver necessary services.
19. Oversee the external audit processes and engage auditing best practices.
20. Oversee reconciliation of bank statements, journal entries and other financial statements.
21. Supervise Deputy CFO and others in the implementation of key budgetary, financial and accounting initiatives.
22. Serve as Chief Administrative Officer responsible for the administration of all City pension, retirement and savings plans.
23. Serve on City bargaining teams with respect to labor negotiations.
24. Serve on other teams and committees as directed by the Mayor and City Council.
25. Perform other related duties as assigned.

QUALIFICATIONS: **Required Knowledge, Skills and Abilities**

- A bachelor's degree in accounting, finance, business administration or equivalent education/experience required. An advanced degree in accounting, finance or business administration is preferred.
- Five years of public administration or finance experience, or comparable private sector experience
- Organizational and creative thinking skills.
- Knowledge of generally accepted accounting principles and high ethical standards.
- Ability to communicate effectively in verbally and in writing with different stakeholders, build consensus and then hold others accountable.
- Ability to think strategically, while ensuring operational goals are implemented appropriately.
- Ability to organize multiple work assignments and establish priorities.
- Ability to ensure accuracy of reports and data.
- Ability to supervise, manage and provide direction to others; ability to hold others accountable.
- Demonstrated leadership ability.

- Ability to read, analyze and interpret complex financial information.
- Ability to make effective and persuasive presentations to groups at all levels of City government as well as outside organizations.

Employee's Signature: _____ Date: _____

Employee's Printed Name: _____

This Job Description is intended to describe the principle responsibilities, associated requirements, and work environment for this position. It is not intended to represent an exhaustive list of all the aspects of the job. This Job Description is not a contract of employment, and may be amended from time to time.

EXHIBIT B – REQUEST FOR PROPOSAL SCOPE OF SERVICES FOR DEPUTY CHIEF FINANCIAL OFFICER

CITY OF CHESTER

REQUEST FOR PROPOSAL

INTRODUCTION: The City of Chester, Pennsylvania, (the "City") is seeking the services of a municipal certified public accountant ("CPA") to serve in the capacity of a Deputy Chief Financial Officer (Deputy CFO) on a part-time basis, providing assistance to the Chief Financial Officer (CFO), who has overall responsibility for fiscal management for the City of Chester. The Deputy CFO is responsible for a number of individual programs and provides assistance to the CFO in coordinating across the various City departments to ensure systemic approach to the City's financial management. This RFP is for a one-year position with the potential for one (1) one-year renewal.

SCOPE OF SERVICES:

Role of the Deputy CFO

- Serve as the City's deputy CFO.
- Support the City's CFO.
- Improve accounting, budgeting, audit preparation, and financial reporting procedures within the Accounts and Finance Department.
- Train staff to for self-sufficiency in efficient and accurate financial procedures.

Services to be provided:

Assist the CFO with the development and implementation of the annual budget; coordinate with department heads to develop departmental budgets and coordinate budget requests to ensure a balanced City budget; develop internal budgetary metrics for departments and evaluate departmental financial performance.

1. Interact with various financial institutions, banks, creditors, lenders, auditors and others to implement the City's budget, issue payments, receive funds, etc.
2. Assist in the analysis of the City's financial performance with regard to short term and long term goals, including the Act 47 Recovery Plan.

3. Prepare, analyze and present monthly, quarterly and annual financial reports, cash flow statements, budget to actual statements, and other financial statements.
4. Assist with revenue collection rates, including working with appropriate third parties and other departments to improve collections rates.
5. Develop and implement departmental budget goals and objectives.
6. Assist CFO with cash flow management, including the development and analysis of various statements and reports; prepare presentations and written analysis.
7. Responsibility for asset management program, including asset inventory, depreciation calculations, facilities inventory, etc.
8. Assist with the monitoring of accounts payable and accounts receivable, including the preparation of reports and analysis.
9. Assist CFO with reconciliation of bank statements, credit card statements, journal entries and other financial statements
10. Assist with the monitoring of the City's debt obligations, including reporting and analysis regarding debt obligations.
11. Assist CFO with the development and implementation of internal controls, policies and procedures; work with department heads to implement controls and policies at the department level.
12. Coordinate with payroll firms, brokers, auditors and other third parties as required to deliver necessary services.
13. Assist CFO with the management and administration of the City's pension, retirement and savings plans.
14. Responsible for the pre-audit and audit processes.
15. Serve on City bargaining teams with respect to labor negotiations.
16. Serve on other teams and committees as directed by the Mayor and City Council.
17. Provide training to City employees regarding financial reporting, analysis and related processes.

QUALIFICATIONS: **Required Knowledge, Skills and Abilities**

- A bachelor's degree in accounting, finance, business administration or equivalent education/experience required. An advanced degree in accounting, finance or business administration is preferred.
- CPA required.
- Five to ten years of municipal finance or accounting experience.
- Organizational skills.
- Ability to communicate with different stakeholders in person and in writing.
- Ability to analyze, evaluate and communicate complex financial data and information.
- Ability to organize multiple work assignments and establish priorities in a high volume work setting.
- Ability to ensure accuracy of reports and data.

- Ability to read, analyze and interpret complex financial data and present findings in logical manner using Microsoft Office Suite of products.
- Ability to make effective and persuasive presentations to groups at all levels of City government as well as outside organizations.
- Ability to effectively train and teach financial procedures