

City of Warren

Early Intervention Program Report



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CHAPTER 1 INTRODUCTION

In 2017, the City of Warren received a grant from the state Department of Economic and Community Development through the Early Intervention Program to conduct a management and financial audit and five-year plan. The objective as stated in the City's Request for Proposals was to develop a "long-term fiscal and operational plan, identifying the fiscal and operational changes necessary to ensure the future viability of the City without overburdening our taxpayer base." The Pennsylvania Economy League was selected to complete the report.

The current analysis involved a review of the municipality's year-end financial reports; independent audits; debt payment schedules; pension obligations; collective bargaining agreements; the 2018 budget; other fiscal data; and other relevant information and factors that may affect the current and future financial condition of the City, including socio-demographic data. In addition, PEL staff interviewed and held discussions with City employees regarding the municipal information.

PEL thanks the City's elected officials for their support, and acknowledges and appreciates the full cooperation of the City manager, department heads and staff. The analysis could not have been successfully completed without their assistance.

In the course of this project PEL:

- Analyzed the financial history of the City from 2013 through 2017 focusing on such factors as revenues, expenditures, tax base, operating positions, and debt structure.
- Examined the historical data and the 2018 budget in relation to ongoing operations, collective bargaining agreements, other salary and benefit requirements, financial inter-relationships among the component funds and other obligations of the City.
- Using 2018 as the base year, projected, to the extent possible based on known factors and available data, revenues and expenditures for 2019 through 2022 assuming continuation of obligated levels of wages and operations, existing revenue patterns, and other operating trends.
- Performed an operational/management review of administration as well as reviews of police, fire, public works, parking assets, and labor/personnel.
- Compiled recommendations for all areas reviewed.

CHAPTER 2 GOVERNMENT STRUCTURE AND DEMOGRAPHICS

Introduction

The existence of municipal governments in Pennsylvania is authorized by the Pennsylvania Constitution and state law. All land within the Commonwealth is incorporated by law as a municipality with its own government. There are three primary types or classifications of municipal governments: cities (of the first, second, or third class), boroughs and townships (of the first or second class).

Municipal governments in Pennsylvania are the principal providers of direct public services to citizens. Services often include, but are not limited to, police and fire protection; construction and maintenance of roadways and bridges; street lighting; parks and recreation facilities and programs; planning and zoning activities; enforcement of building and related codes; water treatment and distribution; sewage collection and treatment; storm water management; solid waste collection and disposal; and recycling collection.

Warren City Government

Location and Structure

The City of Warren, Warren County, is located in northwest Pennsylvania approximately 65 miles southeast of the City of Erie. The City of Warren, which serves as the Warren County seat, is approximately 3.1 square miles. Located along the Allegheny River, the City is bordered by Glade, Conewango, Mead and Pleasant Townships. Originally home to Seneca Native Americans, the City was plotted in 1795 and named for Revolutionary War Major General Joseph Warren. Historical industries included lumber and oil, which was discovered in 1875.

Warren was incorporated as a borough in 1832 and later became a borough under a home rule charter adopted in 1978. Warren became a city in 1989. The Warren City Council is comprised of seven members serving four-year terms including a mayor who presides over Council and serves as a voting member. Council is the legislative authority for the City. An appointed manager is the chief administrative officer, responsible for day-to-day management including authority over all personnel matters, supervision of all City departments and preparation of annual budgets.

Overview of Government Services, Staffing, Taxes, and Fees

In addition to the manager, the City administration includes an executive secretary, an administrative assistant, a finance officer, an accounts payable clerk and certified tax collector, and a planner/ development administrator. The City also has a codes office including a director of codes and permitting, three codes officials (two full-time and one part-time), and a codes secretary/clerk.

The City provides direct police protection to its residents with 16 full-time officers including a chief, one captain, three sergeants, and one detective. There are four police support personnel including two operations clerks and two part-time parking enforcement individuals. One of the patrol officers also serves as the Community Service Officer. Fire protection and ambulance services are provided by 19 full-time City fire fighters, including a chief and an Operations and Training Officer, and numerous part-time utility fire fighters.

Trash collection is provided by a third-party refuse collector. Recycling services are contracted by the City with Advanced Disposal, a private trash disposal, collection and recycling firm. Public works includes 14 employees: a superintendent, a director, an assistant to the director, a secretary/clerk, four sewage system operators, a mechanic, a traffic mechanic, four equipment operators. The department is responsible for over 40 miles of roads and bridges, operations of the sewer plant and maintenance of City parks.

The City has an extensive system of more than 20 community parks. The largest is Betts Park, which has playing fields, bocce courts, tennis courts, basketball courts, playgrounds, a boat launch and pavilions. Other facilities include three community playgrounds, the Warren Municipal Pool and numerous passive parks. The City provides a free Summer Playground Program at Beaty Park, Crescent Park and Lacy Park for children age 7 to 14. The Parks and Recreation Commission develop and recommend recreation programs.

City taxes in 2018 included a 19.8 mill real estate tax. The resident earned income tax levied by the City is 2.2 percent. Other taxes levied by the City include a \$52 local services tax and a 1.0 percent realty transfer tax. The Warren County School District receives 0.5 percent of the earned income tax, 0.5 percent of the realty transfer tax and \$5 of the local services tax.

Warren City Demographics

Introduction

Demographics in the City of Warren portray a community that has lost significant population since 1970 and whose income and housing values are well below that of the state, although similar to Warren County as a whole. These factors negatively impact both earned income taxes and property taxes. The population has declined by 30 percent since 1970. Since at least 1990, that has mostly been a product of people moving out of the City as opposed to natural population decline. While population overall has decreased, the 18 to 64 age working population remains a healthy 62 percent of total population. Owner occupied housing units make up the majority of homes at 52 percent, while renter occupied units are 38 percent of the total. But the total number of units has declined by 7 percent since 1990, and a majority of housing units were built prior to 1950. The median value of owner occupied homes has increased only 90 percent since 1990, compared to 140 percent in the state as a whole, and the median housing value in the state was double that of the City. The City’s per capita and median household incomes are also below the state.

Population

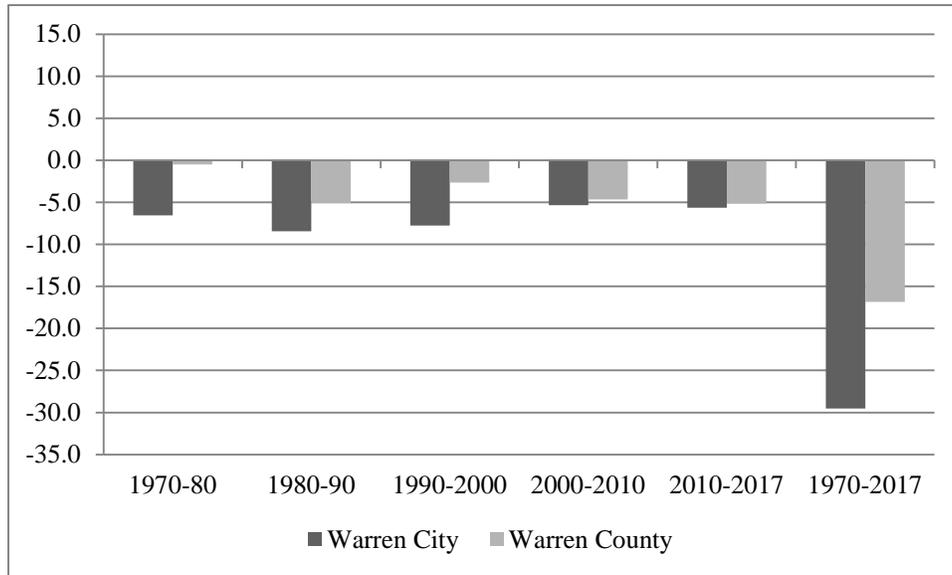
Population in the City has steadily declined since 1970, falling from 12,998 to an estimated 9,162 in 2017. The difference between 1970 and 2017 was a decrease of 3,836 or almost 30 percent. The most significant population decline occurred from 1980 to 1990, when population dropped by 1,024 or 8.4 percent. The population of Warren County as a whole has also fallen since 1970, declining by 8,023 or almost 17 percent. Like the City, the greatest decrease for the County was between 1980 and 1990 when population dropped by 5 percent. (See Table 2-1 and Graph 2-1.)

Table 2-1
WARREN CITY
Population Trend
1970 to 2017

	1970	1980	1990	2000	2010	2017	Change 1970 to 2017	
	Actual	Actual	Actual	Actual	Actual	Estimated	#	%
Warren City	12,998	12,146	11,122	10,259	9,710	9,162	-3,836	29.5
Warren County	47,682	47,449	45,050	43,863	41,815	39,659	-8,023	16.8

Source: U.S. Census Bureau

Graph 2-1
 WARREN CITY
% Population Change
 1970 to 2017



Source: U.S. Census Bureau

Births, Deaths, and Population Change 1990 through 2016

Warren experienced a “natural” population decrease of 54 from 1990 to 1999, while the total population dropped during that period by 863. That indicates a net migration out of the City of 809, the largest of the review period. Net migration out of the City was 360 from 2000 to 2009 and 236 from 2010 to 2016. Overall, net migration out of the City was 1,405 from 1990 to 2017. The City experienced more deaths than births throughout the review period for a natural population decrease of 310. Despite more deaths than births, the bulk of population loss was from people leaving the City as opposed to natural population change. (See Table 2-2.)

Table 2-2
 WARREN CITY
Resident Births, Deaths and Population Trend
 1990 to 2016

	1990 to 1999	2000 to 2009	2010 to 2016	1990 to 2016
Births	1,444	1,161	768	3,373
Deaths	1,498	1,350	835	3,683
Natural Pop. Change	-54	-189	-67	-310
Total Population (start)	11,122	10,259	9,710	11,122
Total Population (end)	10,259	9,710	9,407	9,407
Total Population Change	-863	-549	-303	-1,715
Less Natural Change	-54	-189	-67	-310
Net Migration	-809	-360	-236	-1,405
Migration % of Total Change	93.7	65.6	77.9	81.9

Source: U.S. Census Bureau

Population by Age Group

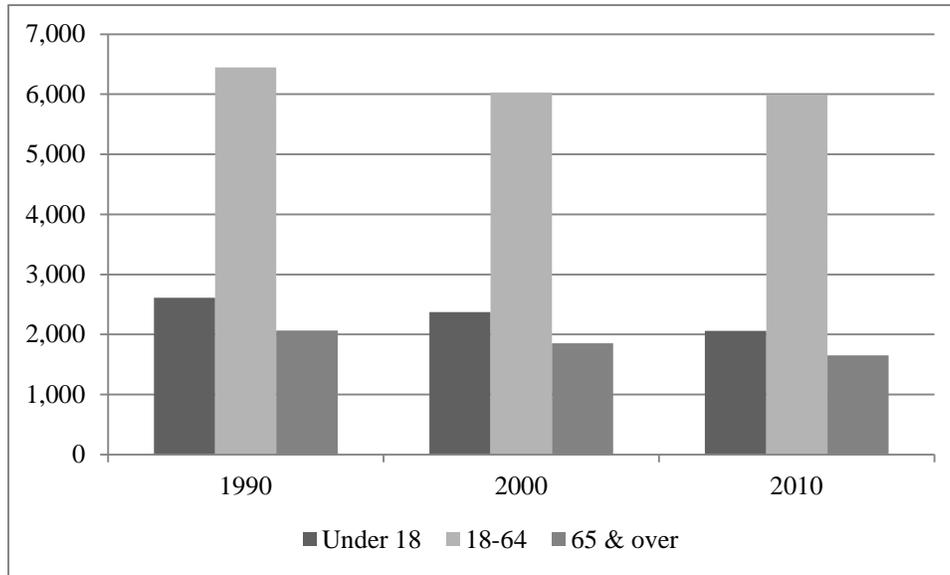
Population in all age groups fell from 1990 to 2010 with the largest decrease in the under age 18 population, which declined by 550 or 21.1 percent. The age 18 to 64 working population dropped by 447 or almost 7 percent, but grew as a percentage of the total population from 58 percent in 1990 to 61.8 percent in 2010. The City’s age 65 and over population experienced a decline of 20.1 percent from 1990 to 2010. (See Table 2-3 and Graph 2-2.)

Table 2-3
 WARREN CITY
Population by Age
 1990 to 2010

	1990		2000		2010		Change 1990 -2010	
	#	%	#	%	#	%	#	%
Under 18	2,609	23.5	2,374	23.1	2,059	21.2	-550	21.1
18-64	6,446	58.0	6,031	58.8	5,999	61.8	-447	6.9
65 & over	2,067	18.6	1,854	18.1	1,652	17.0	-415	20.1

Source: U.S. Census Bureau

Graph 2-2
 WARREN CITY
Population by Age
 1990 to 2010



Source: U.S. Census Bureau

Housing Measures

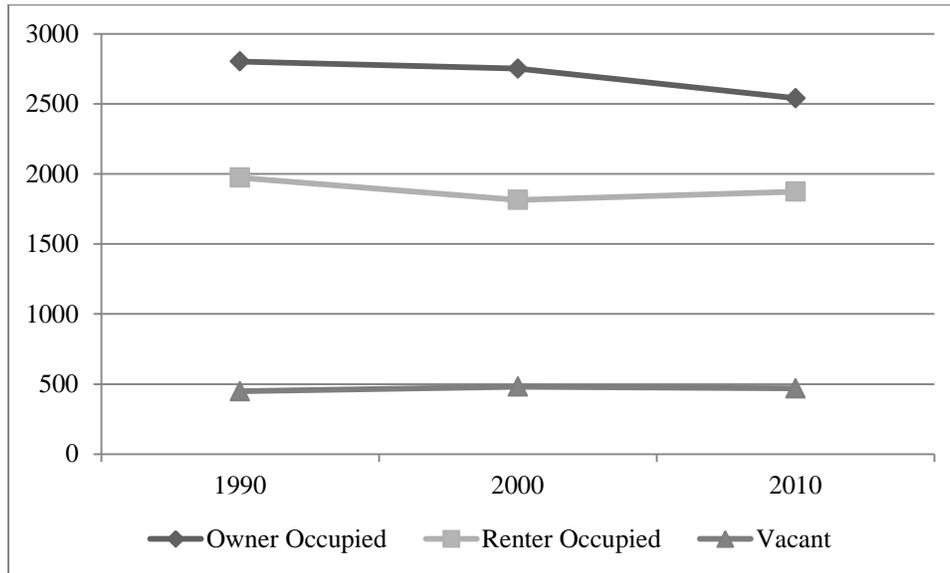
The total number of housing units in Warren City decreased from 1990 to 2010, falling by 6.5 percent from 5,223 in 1990 to 4,882 in 2010. The largest absolute decline was in owner-occupied housing, with 262 units lost for a decrease of 9.4 percent. Renter-occupied units dropped by 100 or 5.1 percent. The City had 2,802 owner-occupied units in 1990, which represented 53.6 percent of all housing units. By 2010, owner-occupied units made up 52 percent of all housing units, with renter-occupied units growing to 38.4 percent of the total and vacant units rising to 9.6 percent of the total. (See Table 2-4 and Graph 2-3.)

Table 2-4
 WARREN CITY
Owner, Renter, Vacant and Total Housing
 1990 to 2010

	1990		2000		2010		Change 1990-2010	
	#	%	#	%	#	%	#	%
Owner Occupied	2,802	53.6	2,751	54.5	2,540	52.0	-262	-9.4
Renter Occupied	1,973	37.8	1,814	35.9	1,873	38.4	-100	-5.1
Total Occupied	4,775	91.4	4,565	90.5	4,413	90.4	-362	-7.6
Vacant	448	8.6	481	9.5	469	9.6	21	4.7
Total Units	5,223	100.0	5,046	100.0	4,882	100.0	-341	-6.5

Source: U.S. Census Bureau

Graph 2-3
 WARREN CITY
Total Housing Units
Owner, Renter and Vacant Housing
 1990 to 2010



Source: U.S. Census Bureau

The majority of the City’s housing stock (over 60 percent) was built prior to 1940. Approximately 87 percent of the total was built before 1969. Only 13 percent of housing stock was constructed in the last 50 years. (See Table 2-5.)

Table 2-5
WARREN CITY
Total Housing Units
Year Structure Built

	# Units	% of Total
Built 2014 or later	0	0.0
Built 2010 to 2013	20	0.4
Built 2000 to 2009	119	2.4
Built 1990 to 1999	75	1.5
Built 1980 to 1989	134	2.7
Built 1970 to 1979	288	5.9
Built 1960 to 1969	300	6.1
Built 1950 to 1959	536	11.0
Built 1940 to 1949	438	9.0
Built 1939 or earlier	2,981	60.9
Total	4,891	100%

Source: U.S. Census Bureau

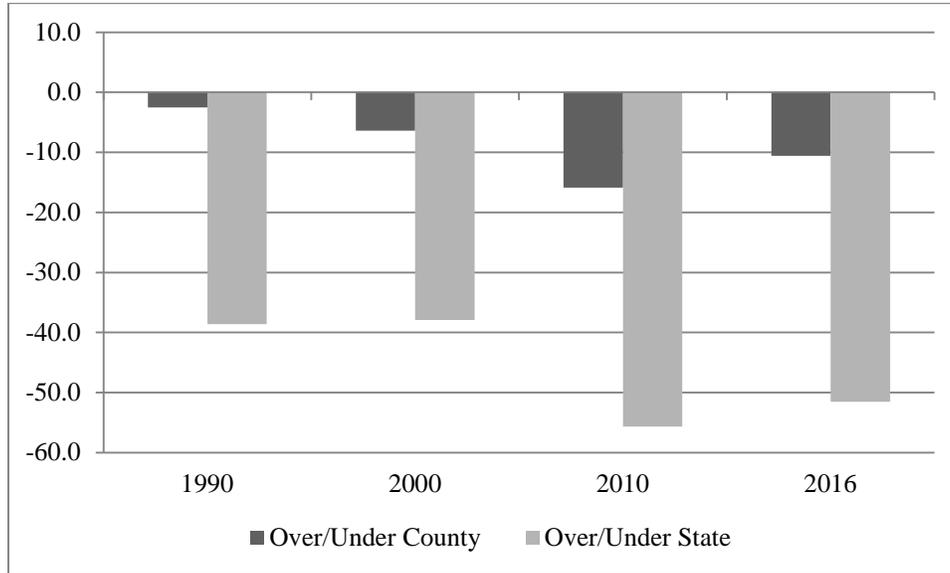
The City’s median value of an owner-occupied house rose from \$42,800 in 1990 to \$81,300 in 2010, an increase of \$38,500. Warren’s median housing value was consistently below Warren County and the state as a whole for the entire review period. The state’s 2016 median value was double that of the City. In addition, housing values rose in the state by 140.6 percent from 1990 to 2016 compared to the City’s growth of only 90 percent. (See Table 2-6 and Graph 2-4.)

Table 2-6
WARREN CITY
Median Value of Owner Occupied House
1990 to 2016

	1990	2000	2010	2016	Change 1990 - 2016	
	Actual	Actual	Actual	Estimated	\$	%
Warren	\$42,800	\$60,200	\$70,600	\$81,300	38,500	90.0
Warren County	\$43,900	\$64,300	\$83,900	\$90,900	47,000	107.1
Pennsylvania	\$69,700	\$97,000	\$159,300	\$167,700	98,000	140.6

Source: U.S. Census Bureau

Graph 2-4
 WARREN CITY
Median Value of Owner Occupied House
Compared to Warren County and Pennsylvania
 1990 to 2016



Source: U.S. Census Bureau

Income Measures

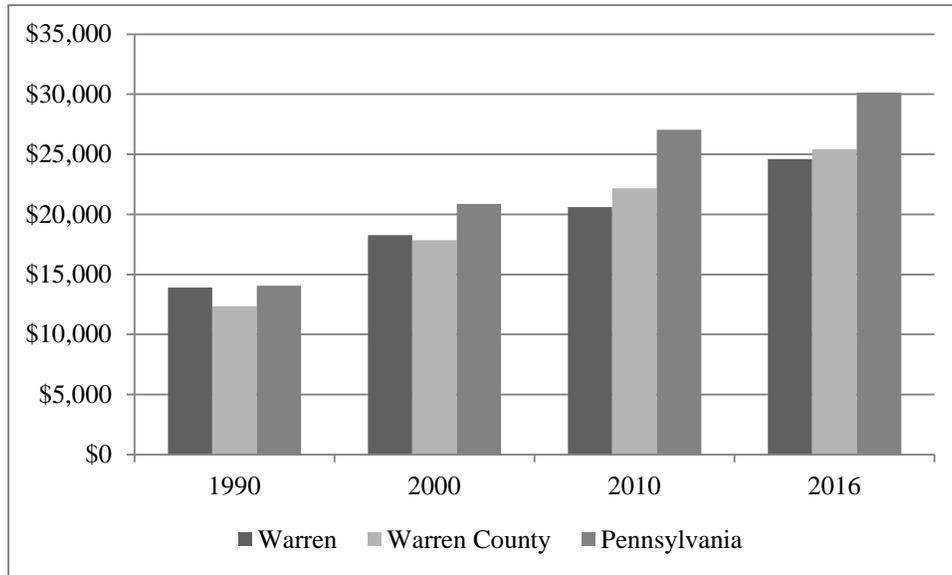
Warren’s per capita income was lower than that of the state from 1990 to 2016. Per capita income increased by \$10,711 or 77.1 percent, from \$13,889 in 1990 to \$24,600 in 2016. Meanwhile, Warren County’s per capita income rose to \$25,414, an increase of \$13,064 or 105.8 percent, and the state’s grew to \$30,137, an increase of \$16,069 or 114.2 percent. (See Table 2-7 and Graph 2-5.)

Table 2-7
 WARREN CITY
Per Capita Income
 1990 to 2016

	1990	2000	2010	2016	Change 1990 - 2016	
	Actual	Actual	Actual	Estimated	\$	%
Warren	\$13,889	\$18,272	\$20,617	\$24,600	10,711	77.1
Warren County	\$12,350	\$17,862	\$22,170	\$25,414	13,064	105.8
Pennsylvania	\$14,068	\$20,880	\$27,049	\$30,137	16,069	114.2

Source: U.S. Census Bureau

Graph 2-5
WARREN CITY
Per Capita Income
1990 to 2016



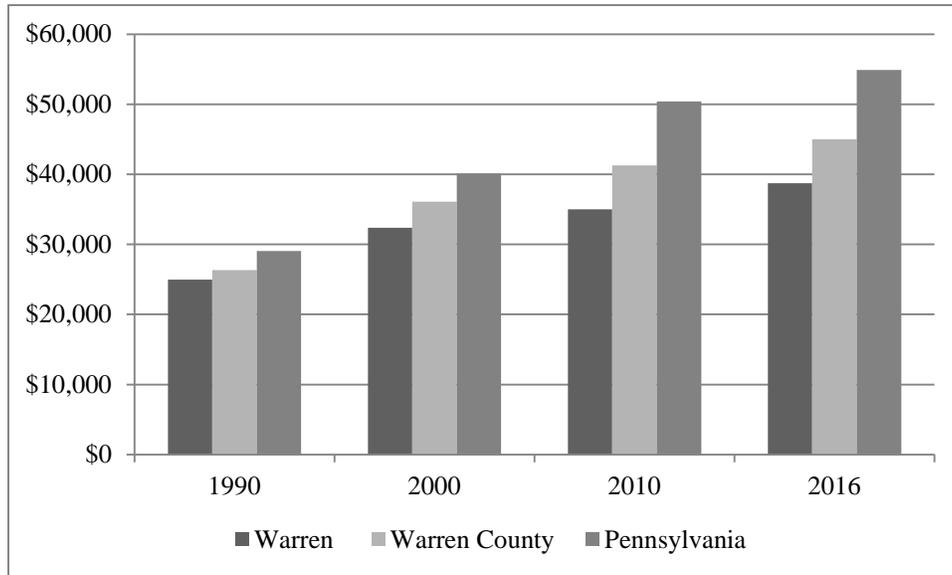
Median household income in Warren City increased from \$24,948 in 1990 to \$38,716 in 2010, a growth of \$13,768 or 55.2 percent. During the same period, median household income in Warren County rose from \$26,351 to \$44,977, a 70.7 percent increase. For Pennsylvania, median household income grew from \$29,069 to \$54,895 in 2016 or 88.8 percent. The City’s median household income remained below both the County and the state for the entire historical review period. (See Table 2-8 and Graph 2-6.)

Table 2-8
WARREN CITY
Median Household Income
1990 to 2016

	1990	2000	2010	2016	Change 1990-2016	
	Actual	Actual	Actual	Estimated	\$	%
Warren	\$24,948	\$32,384	\$34,992	\$38,716	13,768	55.2
Warren County	\$26,351	\$36,083	\$41,286	\$44,977	18,626	70.7
Pennsylvania	\$29,069	\$40,106	\$50,398	\$54,895	25,826	88.8

Source: U.S. Census Bureau

Graph 2-6
WARREN CITY
Median Household Income
1990 to 2016



Source: U.S. Census Bureau

CHAPTER 3
HISTORICAL FINANCIAL REVIEW
2013 to 2017

The City of Warren struggled from 2013 to 2017 to maintain a balanced budget but ended two out of five years (2014 and 2016) with deficits. In addition, the City would have experienced a deficit in 2017 absent an audit adjustment related to the Gro-Warren settlement that resulted in a surplus. The City receives approximately 75 percent of its total revenues from taxes, including a 2.2 percent earned income tax that is the City's largest revenue source. However, tax revenue was relatively flat during the historical review period. On the expenditure side, over 50 percent of costs are personnel-related compared to one-third or less for non-personnel expenses and 4 percent to 17 percent for transfers to other City funds. Transfers, mostly for capital projects, averaged approximately \$1.2 million starting in 2014. The City worked to control medical and pension costs, two of the City's largest overall expenses, with some success. Both categories showed a decline from 2013 to 2017. But salaries and wages, the City's largest overall expenditure, grew by 14 percent. Personnel costs are highest in the Fire Department, followed by the Police Department.

Methodology

PEL compiled this historical review of the City's General Fund through analysis of year-end financial reports, independent audits, annual budgets, debt obligation documents, salary and benefit data, pension obligations and other financial obligations, as well as interviews with City officials.

2013 - 2017 General Fund Revenues and Expenditures

Revenues during the historical review period fluctuated, growing from \$8.3 million in 2013 to almost \$9 million in 2015, and then falling to \$8.5 million in 2016 and 2017. The revenue change between 2013 and 2017 was an increase of \$228,946 or 2.8 percent. Expenditures also varied, rising from almost \$7.6 million in 2013 to \$9 million in 2014, and then dropping to \$8.4 million in 2015. Expenditures in 2017 were almost \$8.7 million. The change in expenditures from 2013 to 2017 was a growth of \$1.1 million or 14.9 percent. The City experienced surpluses in 2013 (\$739,343), 2015 (\$585,035) and 2017 (\$107,289). The City had

deficits of \$575,364 in 2014 and \$123,938 in 2016. Although 2017 appears as a surplus, the City would have experienced a deficit had it not posted the 2017 audit adjustment. The adjustment was the result of a one-time, \$264,609 DCED settlement related to the Gro-Warren loan. (Table 3-1 and Graph 3-1.)

Table 3-1
 WARREN CITY
General Fund Revenues, Expenditures and Surplus/(Deficit)
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Category</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Revenues	\$8,298,642	\$8,488,804	\$8,960,054	\$8,525,101	\$8,527,588	228,946	2.8
Expenditures	7,559,299	9,064,168	8,375,019	8,649,039	8,684,908	1,125,608	14.9
Surplus/(Deficit)	\$739,343	-\$575,364	\$585,035	-\$123,938	-\$157,320		
Add Gro-Warren Settlement	—	—	—	—	264,609		
Adjusted Surplus/(Deficit)	\$739,343	-\$575,364	\$585,035	-\$123,938	\$107,289		

Revenue Components

The City receives the bulk of its General Fund revenue from taxes, ranging from 73 percent to 76 percent of total revenues from 2013 to 2017. Tax revenue rose from \$6.2 million in 2013 to peak at \$6.6 million in 2015, and then declined to \$6.4 million by 2017. The difference between 2013 and 2017 was an increase of \$219,456 or 3.5 percent.

Non-tax revenue (licenses and permits, state aid and charges for services, for example) varied from 19 percent to almost 24 percent of total revenues. Non-tax revenue fluctuated throughout the historical review period, increasing from \$1.6 million in 2013 to \$1.9 million in 2014. Non-tax revenue fell in 2015 and 2016, but then rose to \$2 million in 2017. The change from 2013 to 2017 was an increase of \$427,262 or 27 percent.

Sale of assets includes a land sale of \$10,000 in 2014 and a vehicle sale of \$12,650 in 2016. Capital lease proceeds refer to the proceeds of capital loans used to purchase equipment. Transfers into the General Fund include an annual allocation of \$64,790 from the Sewer Fund and \$34,795 from the Parking Fund for reimbursement of administration expenditures related to those services. In addition, the following amounts were transferred from the Liquid Fuels/Highway Aid Fund: 2013, \$223,030; 2014, 221,895; 2015, \$235,753; and 2016, \$277,112. Also, \$6,000 was transferred into the General Fund from the Glade Run escrow fund for a

project. In 2017, \$77,214 was transferred from the Parking Fund to reimburse the General Fund for debt service payments, and -\$93,100 was recorded as a pass through to the Sewer Fund for project expenses¹. (See Table 3-2.)

Table 3-2
WARREN CITY
General Fund Total Revenues
2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017		
<u>Category</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%	
Tax Revenue	\$6,208,440	\$6,234,482	\$6,619,932	\$6,482,159	\$6,427,897	219,456	3.5	
Non Tax Revenue	1,587,111	1,898,547	1,846,903	1,651,975	2,014,373	427,262	26.9	
Sale of Assets	0	10,000	0	12,650	0	0	-100.0	
Capital Lease Proceeds	181,334	22,676	150,261	0	0	-181,334	-100.0	
Transfers In	<u>321,757</u>	<u>323,100</u>	<u>342,958</u>	<u>378,317</u>	<u>85,319</u>	<u>-236,439</u>	<u>-73.5</u>	
Total Revenue	\$8,298,642	\$8,488,804	\$8,960,054	\$8,525,101	\$8,527,588	228,946	2.8	
Category	Percent of Total							
Tax Revenue	74.8	73.4	73.9	76.0	75.4			
Non Tax Revenue	19.1	22.4	20.6	19.4	23.6			
Sale of Assets	0.0	0.1	0.0	0.1	0.0			
Capital Lease Proceeds	2.2	0.3	1.7	0.0	0.0			
Transfers In	<u>3.9</u>	<u>3.8</u>	<u>3.8</u>	<u>4.4</u>	<u>1.0</u>			
Total Revenue	100.0	100.0	100.0	100.0	100.0			

Real Estate Market Value and Assessed Value

Despite a 37 percent rise in the City’s market value from 2001 to 2016 as estimated by the State Tax Equalization Board (STEB), Warren County’s assessed value for the City increased by only 0.63 percent during that time period. The City’s ratio of assessed value to STEB market value steadily declined from 51 percent in 2001 to 37.5 percent in 2016. As a result, the City was unable to capture market value growth that might have resulted in increased real estate tax revenue. STEB market value showed increases in individual years that were not reflected in assessment growth. For example, in 2016 STEB market value increased by 10 percent, while assessed value declined by 0.5 percent. Warren County last underwent a full reassessment in 1989. Accurate, up-to-date assessments allow the City to capture market value growth that can lessen the need to raise taxes. (See Table 3-3.)

¹ Transfer information was provided by the City’s finance officer

Table 3-3
 WARREN CITY
Market Value and Assessed Value
 2001 to 2015

	Market Value	Change	% Change	Assessed Value	Change	% Change
2001	220,587,500			112,461,553		
2002	231,459,400	10,871,900	4.93%	112,251,628	-209,925	-0.19%
2003	231,335,900	-123,500	-0.05%	112,203,771	-47,857	-0.04%
2004	238,280,400	6,944,500	3.00%	112,037,583	-166,188	-0.15%
2005	237,450,900	-829,500	-0.35%	111,668,067	-369,516	-0.33%
2006	250,221,000	12,770,100	5.38%	113,764,265	2,096,198	1.88%
2007	253,594,836	3,373,836	1.35%	115,773,683	2,009,418	1.77%
2008	258,328,094	4,733,258	1.87%	113,785,491	-1,988,192	-1.72%
2009	260,580,583	2,252,489	0.87%	114,709,812	924,321	0.81%
2010	262,999,908	2,419,325	0.93%	114,674,434	-35,378	-0.03%
2011	264,569,482	1,569,574	0.60%	115,070,458	396,024	0.35%
2012	267,537,287	2,967,805	1.12%	114,513,771	-556,687	-0.48%
2013	266,852,484	-684,803	-0.26%	114,085,897	-427,874	-0.37%
2014	273,109,880	6,257,395	2.34%	113,625,717	-460,180	-0.40%
2015	274,166,134	1,056,254	0.39%	113,750,237	124,520	0.11%
2016	301,589,693	27,423,559	10.00%	113,165,715	-584,522	-0.51%
Change 2001 - 2016		81,002,193	36.72%		704,162	0.63%

Real Estate Taxes

Real estate taxes are the City’s second largest revenue source, averaging approximately one-third of General Fund total taxes annually throughout the historical review period. The City’s general purpose millage remained at 19.8 mills from 2013 through 2017. Real estate tax revenue grew from \$2.1 million in 2013 to almost \$2.4 million in 2015, and then declined to \$2.2 million in 2016, rising to \$2.3 million in 2017. The change from 2013 to 2017 was an increase of \$189,541 or 8.9 percent. However, the 2017 increase in real estate tax revenue as compared to 2013 was mostly the result of a higher collection rate in delinquent taxes of 57 percent in 2017 as opposed to growth in current taxes, which was only 3.5 percent. (See Table 3-4.)

Table 3-4
WARREN CITY
Total Tax Revenue by Source
2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Category</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Real Estate Taxes	\$2,140,162	\$2,225,250	\$2,384,054	\$2,227,046	\$2,329,703	189,541	8.9
Earned Income Taxes	3,710,703	3,645,835	3,823,779	3,795,753	3,696,923	-13,779	-0.4
Local Services Tax	314,730	302,077	330,151	324,427	336,102	21,372	6.8
Real Estate Transfer Tax	42,835	61,320	81,861	134,933	65,075	22,240	51.9
Per Capita Taxes	11	0	88	0	94	83	750.0
Total Taxes	\$6,208,440	\$6,234,482	\$6,619,932	\$6,482,159	\$6,427,897	219,456	3.5
<u>Category</u>	Percent of Total						
Real Estate Taxes	34.5	35.7	36.0	34.4	36.2		
Earned Income Taxes	59.8	58.5	57.8	58.6	57.5		
Local Services Tax	5.1	4.8	5.0	5.0	5.2		
Real Estate Transfer Tax	0.7	1.0	1.2	2.1	1.0		
Per Capita Taxes	0.0	0.0	0.0	0.0	0.0		
Total Taxes	100.0	100.0	100.0	100.0	100.0		

Act 511 Taxes

The City levies a 2.7 percent Earned Income Tax (EIT), with the Warren County School District receiving 0.5 percent of EIT collections. The City levies a \$52 Local Services Tax (LST), of which the school district receives \$5. The City also charges a 0.5 percent realty transfer tax.

The City operates under a home rule charter and so is exempt from state municipal code limits on EIT. As a result, EIT is the City’s most productive tax, averaging almost 60 percent of

General Fund total taxes. Like property taxes, EIT fluctuated from \$3.7 million in 2013 to peak at \$3.8 million in 2015, and then decreasing to just under \$3.7 million in 2017. The EIT change from 2013 to 2017 was a decrease of \$13,779 or 0.4 percent.

The LST accounts for approximately 5 percent of General Fund total taxes. With the exception of a slight decrease in 2014, LST rose fairly steadily from \$314,730 in 2013 to \$336,102 in 2017. Real estate transfer taxes fluctuated based on property sales in the City, ranging from a low of \$42,835 in 2013 to a high of \$134,933 in 2016.

Non-Tax Revenue

The City's main sources of non-tax revenue are licenses and permits, charges for services and state pension aid. The largest revenue source for licenses and permits was street and curb permits, with cable television franchise fees the second highest sources. Street and curb revenue ranged from a low of \$239,837 in 2013 to a high of \$508,588 in 2015. Cable television franchise fees grew from \$95,001 in 2013 to peak at \$174,832 in 2015, and then dropped to \$114,925. Overall, the licenses and permits category increased from \$501,835 in 2013 to a high of \$826,635 in 2015, and then decreased to \$586,060 in 2017. The change from 2013 to 2017 was an increase of \$84,225 or 16.8 percent. The largest items under charges for services were EMS fees, which averaged over \$250,000 annually, and recycling, which grew from \$85,846 in 2013 to \$122,397 in 2017. Pension state aid was the other significant non-tax revenue item, increasing from \$359,247 in 2013 to \$399,178 in 2017. For the most part, all other non-tax revenues are less than 5 percent of total non-tax revenues. (See Table 3-5.)

Table 3-5
 WARREN CITY
Total Non-Tax Revenues
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Category</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Fines/Forfeits	\$60,011	\$52,449	\$64,282	\$72,916	\$69,477	9,466	15.8
Interest Earnings	2,017	2,227	1,763	4,632	7,891	5,875	291.3
Rentals	9,491	9,519	4,413	3,277	3,162	-6,329	-66.7
PURTA	6,646	7,811	7,195	7,371	6,629	-17	-0.3
License/Permits	501,835	617,596	826,635	579,702	586,060	84,225	16.8
Pension State Aid	359,247	356,287	325,429	384,969	399,178	39,931	11.1
Grants	120,113	257,578	73,277	72,194	347,444	227,332	189.3
Liquid Fuels	14,646	14,646	13,551	11,993	12,892	-1,754	-12.0
Charges for Services	462,175	453,957	479,145	456,179	490,765	28,590	6.2
Miscellaneous Revenue	23,941	55,164	8,882	7,869	26,362	2,421	10.1
Contributions & Donations	14,162	46,894	12,202	15,840	11,470	-2,692	-19.0
Reimbursements	<u>12,829</u>	<u>24,419</u>	<u>30,127</u>	<u>35,033</u>	<u>53,043</u>	<u>40,214</u>	<u>313.5</u>
Total Non-Tax Revenue	\$1,587,111	\$1,898,547	\$1,846,903	\$1,651,975	\$2,014,373	427,262	26.9
<u>Category</u>	Percent of Non-Tax Revenue						
Fines/Forfeits	3.8	2.8	3.5	4.4	3.4		
Interest Earnings	0.1	0.1	0.1	0.3	0.4		
Rentals	0.6	0.5	0.2	0.2	0.2		
PURTA	0.4	0.4	0.4	0.4	0.3		
License/Permits	31.6	32.5	44.8	35.1	29.1		
Pension State Aid	22.6	18.8	17.6	23.3	19.8		
Grants	7.6	13.6	4.0	4.4	17.2		
Liquid Fuels	0.9	0.8	0.7	0.7	0.6		
Charges for Services	29.1	23.9	25.9	27.6	24.4		
Miscellaneous Revenue	1.5	2.9	0.5	0.5	1.3		
Contributions & Donations	0.9	2.5	0.7	1.0	0.6		
Reimbursements	<u>0.8</u>	<u>1.3</u>	<u>1.6</u>	<u>2.1</u>	<u>2.6</u>		
Total Non-Tax Revenue	100.0	100.0	100.0	100.0	100.0		

Expenditures

Personnel versus Non-Personnel

Personnel expenditures make up over half of the City’s total expenditures. Personnel costs averaged almost \$4.8 million throughout the period. The change from 2013 to 2017 was an increase of \$184,406 or 3.8 percent. Non-personnel costs accounted for approximately one-third of expenses, rising from \$2.3 million in 2013 to peak at almost \$2.9 million in 2015, declining to almost \$2.5 million in 2017. The difference between 2013 and 2017 was an increase of \$120,363 or 5.1 percent. Debt service during the historical review period was relatively minor at 1 percent or less of total expenditures. Transfers to other funds fluctuated from a low of \$319,394 in 2013 to a high of \$1.5 million in 2016. (See Table 3-6.)

Table 3-6
WARREN CITY
Personnel versus Non-Personnel Expenditures
2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Type</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Personnel	\$4,796,351	\$4,780,325	\$4,528,925	\$4,722,133	\$4,980,756	184,406	3.8
Non-Personnel	2,338,293	2,792,091	2,887,714	2,374,573	2,458,656	120,363	5.1
Debt Service	82,262	81,935	69,623	52,609	49,211	-33,051	-40.2
Transfers Non-Gov Units	23,000	24,200	27,000	29,025	29,500	6,500	28.3
Transfers Out	319,394	1,385,617	861,756	1,470,699	1,166,784	847,391	265.3
Total Expenditures	\$7,559,299	\$9,064,168	\$8,375,019	\$8,649,039	\$8,684,908	1,125,608	14.9
<u>Type</u>	Percent of Total						
Personnel	63.4	52.7	54.1	54.6	57.3		
Non-Personnel	30.9	30.8	34.5	27.5	28.3		
Debt Service	1.1	0.9	0.8	0.6	0.6		
Transfers Non-Gov Units	0.3	0.3	0.3	0.3	0.3		
Transfers Out	4.2	15.3	10.3	17.0	13.4		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Personnel

The majority of the City's day-to-day expenses are related to personnel including salaries and wages (56 percent to 63 percent of total), medical insurance (13 percent to 18 percent of total) and pension (12 percent to 15 percent). Salary and wages showed the most growth, rising from \$2.7 million in 2013 to \$3.1 million in 2017, an increase of \$389,940 or 14.2 percent. Medical insurance and pension both declined over the historical review period. Medical insurance rose from \$771,994 in 2013 to peak at \$852,810 in 2014, and then fell to \$602,159 in 2015. During the historical review period, the City worked to control medical insurance costs by switching to a municipal pool and increasing deductibles. Costs for medical insurance increased to \$721,284 in 2017. The difference between 2013 and 2017 was a decrease of \$50,710 or 6.6 percent. Pension costs declined fairly steadily from \$694,017 in 2013 to \$579,164 in 2017, a decrease of \$114,853 or 16.5 percent. The decline reflected investment changes that the City made to pension funds, particularly in terms of the Fire Pension. Employee benefit contributions reflect the amount that employees contribute to their health care. The negative balances are an offset to the City's health insurance expenditures. All other costs are less than 5 percent of personnel expenditures. (See Table 3-7.)

Table 3-7
 WARREN CITY
Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017		
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%	
Salary & Wages	\$2,742,044	\$2,669,363	\$2,739,624	\$2,973,098	\$3,131,984	389,940	14.2	
Overtime	112,874	135,556	133,720	139,377	135,196	22,322	19.8	
Longevity	6,346	6,073	6,738	6,543	7,366	1,020	16.1	
FICA (Social Security)	160,614	157,594	155,851	171,506	183,796	23,182	14.4	
Pension/Retirement Pay	694,017	674,951	641,362	563,351	579,164	-114,853	-16.5	
Medical Insurance	771,994	852,810	602,159	645,752	721,284	-50,710	-6.6	
Employee Benefit Contribution	-33,529	-38,776	-55,973	-64,071	-72,113	-38,583	115.1	
Health Ins Opt Out	8,000	6,500	26,816	37,210	39,879	31,879	398.5	
Other Employee Benefits	15,994	15,408	16,302	18,866	19,452	3,458	21.6	
Unemployment Insurance	29,949	23,709	24,168	24,461	26,740	-3,209	-10.7	
Workers Compensation	200,919	212,317	185,524	159,152	152,527	-48,393	-24.1	
Retiree Benefits	56,277	32,052	21,845	17,737	10,582	-45,694	-81.2	
Clothing and Uniforms	<u>30,852</u>	<u>32,769</u>	<u>30,788</u>	<u>29,151</u>	<u>44,899</u>	<u>14,047</u>	<u>45.5</u>	
Total Employee Expenditures	\$4,796,351	\$4,780,325	\$4,528,925	\$4,722,133	\$4,980,756	184,406	3.8	
	Percent of Total							
Salary & Wages	57.2	55.8	60.5	63.0	62.9			
Overtime	2.4	2.8	3.0	3.0	2.7			
Longevity	0.1	0.1	0.1	0.1	0.1			
FICA (Social Security)	3.3	3.3	3.4	3.6	3.7			
Pension/Retirement Pay	14.5	14.1	14.2	11.9	11.6			
Medical Insurance	16.1	17.8	13.3	13.7	14.5			
Employee Benefit Contribution	-0.7	-0.8	-1.2	-1.4	-1.4			
Health Ins Opt Out	0.2	0.1	0.6	0.8	0.8			
Other Employee Benefits	0.3	0.3	0.4	0.4	0.4			
Unemployment Insurance	0.6	0.5	0.5	0.5	0.5			
Workers Compensation	4.2	4.4	4.1	3.4	3.1			
Retiree Benefits	1.2	0.7	0.5	0.4	0.2			
Clothing and Uniforms	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.9</u>			
Total Employee Expenditures	100.0	100.0	100.0	100.0	100.0			

Non-Personnel

Contracted services are the largest non-personnel expenditure category, and mostly include contracted public works services, such as snow removal. Contracted services varied from a low of \$620,321 in 2013 to a high of \$1 million in 2015. Capital expenditures are capital equipment purchases primarily made in public works. There was considerable fluctuation in capital expenditures depending on annual needs ranging from \$93,407 in 2016 to \$399,685 in

2014. Utilities rose from \$217,792 in 2013 to \$250,717 in 2017. Other non-personnel expenditures are approximately five percent or less of total non-personnel expenditures. (See Table 3-8.)

Table 3-8
 WARREN CITY
Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017		
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%	
Accounting and Auditing	\$37,500	\$32,600	\$30,100	\$33,000	\$33,000	-4,500	-12.0	
Advertising	9,515	9,623	11,487	16,635	12,616	3,102	32.6	
Capital	379,221	399,685	389,866	93,407	221,424	-157,797	-41.6	
Chemicals	79,320	68,738	54,366	60,590	47,637	-31,683	-39.9	
Consulting Services	11,595	7,908	8,959	9,009	6,318	-5,277	-45.5	
Contracted Services	620,321	948,334	1,003,941	809,179	733,138	112,816	18.2	
Dues, Subscriptions	9,669	10,546	10,514	11,865	12,441	2,772	28.7	
Eng. & Arch. Services	28,279	36,856	38,395	55,289	46,516	18,237	64.5	
Equipment	67,801	125,332	111,064	93,113	124,636	56,834	83.8	
Gen Repair/Maint Supplies	58,477	78,697	113,452	103,235	136,703	78,227	133.8	
General Operating Supplies	33,657	36,807	38,250	33,453	45,671	12,014	35.7	
Highway Supplies	19,419	22,050	33,587	26,198	31,529	12,110	62.4	
Hydrant Service	57,377	52,623	52,666	52,753	48,176	-9,201	-16.0	
Improvement Purchases	584	0	12,456	14,990	6,864	6,280	1,075.8	
Insurance	95,797	102,982	104,219	111,678	86,630	-9,167	-9.6	
Internet/Website	5,652	7,897	11,461	11,890	15,959	10,306	182.3	
Legal Services	73,928	111,894	93,052	93,770	77,453	3,525	4.8	
Medical Services	4,958	4,935	6,898	3,840	5,107	149	3.0	
Miscellaneous	17,794	4,585	2,762	2,127	1,888	-15,906	-89.4	
Meeting and Conferences	6,276	8,664	9,099	11,200	14,773	8,497	135.4	
Office Expense	17,421	17,058	18,049	20,425	18,400	979	5.6	
Other Supplies	7,606	12,477	3,347	10,241	1,764	-5,842	-76.8	
Postage	6,501	7,148	8,373	11,613	9,281	2,780	42.8	
Printing/Publishing	1,438	8,116	5,986	10,826	10,832	9,394	653.2	
Repair & Maintenance	66,389	66,868	81,268	80,656	80,398	14,009	21.1	
Supplies	11,315	15,277	15,074	14,411	13,418	2,103	18.6	
Taxes/Commissions	127,965	136,049	111,113	80,682	80,731	-47,234	-36.9	
Telephone	30,838	32,819	34,609	31,648	32,734	1,897	6.2	
Temporary Contracted Labor	94,793	85,746	116,951	102,645	114,448	19,655	20.7	
Training and Education	35,001	22,795	22,956	27,650	31,562	-3,438	-9.8	
Utilities	217,792	205,569	229,825	241,060	250,717	32,925	15.1	
Vehicle Expense	<u>104,093</u>	<u>111,415</u>	<u>103,569</u>	<u>95,495</u>	<u>105,890</u>	<u>1,797</u>	<u>1.7</u>	
Total Expenditures	\$2,338,293	\$2,792,091	\$2,887,714	\$2,374,573	\$2,458,656	120,363	5.1	
	Percent of Total							

	2013	2014	2015	2016	2017	Change 2013 - 2017	
Accounting and Auditing	1.6	1.2	1.0	1.4	1.3		
Advertising	0.4	0.3	0.4	0.7	0.5		
Capital	16.2	14.3	13.5	3.9	9.0		
Chemicals	3.4	2.5	1.9	2.6	1.9		
Consulting Services	0.5	0.3	0.3	0.4	0.3		
Contracted Services	26.5	34.0	34.8	34.1	29.8		
Dues, Subscriptions	0.4	0.4	0.4	0.5	0.5		
Eng. & Arch. Services	1.2	1.3	1.3	2.3	1.9		
Equipment	2.9	4.5	3.8	3.9	5.1		
Gen Repair/Maint Supplies	2.5	2.8	3.9	4.3	5.6		
General Operating Supplies	1.4	1.3	1.3	1.4	1.9		
Highway Supplies	0.8	0.8	1.2	1.1	1.3		
Hydrant Service	2.5	1.9	1.8	2.2	2.0		
Improvement Purchases	0.0	0.0	0.4	0.6	0.3		
Insurance	4.1	3.7	3.6	4.7	3.5		
Internet/Website	0.2	0.3	0.4	0.5	0.6		
Legal Services	3.2	4.0	3.2	3.9	3.2		
Medical Services	0.2	0.2	0.2	0.2	0.2		
Miscellaneous	0.8	0.2	0.1	0.1	0.1		
Meeting and Conferences	0.3	0.3	0.3	0.5	0.6		
Office Expense	0.7	0.6	0.6	0.9	0.7		
Other Supplies	0.3	0.4	0.1	0.4	0.1		
Postage	0.3	0.3	0.3	0.5	0.4		
Printing/Publishing	0.1	0.3	0.2	0.5	0.4		
Repair & Maintenance	2.8	2.4	2.8	3.4	3.3		
Supplies	0.5	0.5	0.5	0.6	0.5		
Taxes/Commissions	5.5	4.9	3.8	3.4	3.3		
Telephone	1.3	1.2	1.2	1.3	1.3		
Temporary Contracted Labor	4.1	3.1	4.0	4.3	4.7		
Training and Education	1.5	0.8	0.8	1.2	1.3		
Utilities	9.3	7.4	8.0	10.2	10.2		
Vehicle Expense	4.5	4.0	3.6	4.0	4.3		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

2013 Transfers²

Capital Improvement Fund:

- \$61,071 transfer to CIP fund for GF portion of street paving expense
- \$21,869 transfer to CIP fund for GF portion of Beaty Park project expense

Other:

- \$73,614 year-end audit adjustment to reclassify Wells Fargo loan to sinking fund

² Transfer information was provided by the City’s finance officer.

- \$102,951 year-end audit adjustment to reclassify capital loan to sinking fund
- \$57,888 year-end audit adjustment to reclassify streetscape loan to sinking fund
- \$2,000 annual allocation to Glade Run Escrow Fund

2014 Transfers

Capital Improvement Fund:

- \$221,895 pass through from Liquid Fuels/Highway Aid Fund for street paving
- \$148,135 for turn back portion of street paving expense
- \$369,797 for street paving expense
- \$3,650 for trail project
- \$201,136 for pool project
- \$95,804 for building/garage project
- \$8,540 for Betts Park project
- \$93,863 for Beaty Park project
- \$6,344 for RACP Phase II Muni Building project

Other:

- \$73,614 year-end audit adjustment to reclassify Wells Fargo loan to sinking fund
- \$102,951 year-end audit adjustment to reclassify capital loan to sinking fund
- \$57,888 year-end audit adjustment to reclassify streetscape loan to sinking fund
- \$2,000 annual allocation to Glade Run Escrow Fund

2015 Transfers

Capital Improvement Fund:

- \$235,753 pass through from Liquid Fuels/Highway Aid Fund for street paving
- \$142,747 for street paving
- -\$58,041 for pool project (net of grant)
- \$18,747 for Betts Park project
- -\$10,000 for Beaty Park project (net of grant)
- \$10,523 for Muni Building ADA project
- \$141,658 for RACP Phase I Midtown Lot project
- \$139,906 for RACP Phase II Muni Building project

Other:

- \$73,614 year-end audit adjustment to reclassify Wells Fargo loan to sinking fund
- \$102,951 year-end audit adjustment to reclassify capital loan to sinking fund
- \$61,897 year-end audit adjustment to reclassify streetscape loan to sinking fund
- \$2,000 annual allocation to Glade Run Escrow Fund

2016 Transfers**Capital Improvement Fund:**

- \$277,112 pass through from Liquid Fuels/Highway Aid fund for street paving
- \$409,181 for street paving
- \$18,163 for Defrees Park project
- \$47,296 for Betts Park project
- \$2,773 for RACP Phase II Muni Building project
- \$127,813 for Muni Building ADA project
- \$13,544 for Lexington/Parker project
- \$7,666 for Clark Street project
- \$24,759 for RACP Phase IV Muni Building renovation project
- \$743 for Third Avenue bridge dredging
- \$11,559 for PHMC Muni Building renovation project
- \$9,012 for recycling equipment
- \$252,562 for RACP Phase III Liberty streetscape project
- \$718 for RACP Phase I Midtown Lot project
- \$3,342 for RACP 200 Block of Penna Ave W

Other:

- \$73,614 year-end audit adjustment to reclassify Wells Fargo loan to sinking fund
- \$102,951 year-end audit adjustment to reclassify capital loan to sinking fund
- \$85,888 year-end audit adjustment to reclassify streetscape loan to sinking fund
- \$2,000 annual allocation to Glade Run Escrow Fund

2017 Transfers

Capital Improvement Fund:

- \$143,456 for turn back portion of street paving
- \$153,899 for street paving
- \$87,847 for trail project
- \$35,162 for Pridewalk program
- -\$6,009 for Betts Park project (net of grant)
- \$6,473 for Crescent Park project
- \$7,535 for Lexington/Parker project
- \$2,533 for Clark Street project
- \$123,895 for RACP Phase IV Muni Building renovation project
- \$188,079 for PHMC Muni Building renovation project
- \$18,496 for Park Avenue restoration project
- \$70,898 for RACP Phase III Liberty streetscape project
- \$38,815 for RACP 200 Block of Penna Ave W
- \$75,319 for purchase of compost site
- \$7,073 for Glade Run rehab project
- \$36,604 for Third Avenue bridge dredging
- \$18,660 for Tree Vitalize project

Other:

- -\$93,100 pass through to Sewer Fund from Capital Improvement Fund for Sewer Fund project expenses
- \$5,807 year-end audit adjustment to reclassify Wells Fargo loan to sinking fund
- \$102,951 year-end audit adjustment to reclassify capital loan to sinking fund
- \$140,388 year-end audit adjustment to reclassify streetscape loan to sinking fund
- \$2,000 annual allocation to Glade Run Escrow Fund

General Department Expenditures

The Public Works Department accounts for the largest percentage of departmental expenditures, varying from a low of \$2.0 million in 2013 to a high of almost \$2.5 million in 2014. Public works includes a considerable amount of non-personnel costs including contracted services, capital equipment purchases and utilities. Administration and the Fire Department had the next largest percentage of departmental expenditures. Administration fluctuated from a low of \$1.5 million in 2013 to peak at \$2.5 million in 2014, while the Fire Department averaged approximately \$2.0 million throughout the historical period review period. Administration departmental expenditures include transfers out to other City funds, which were outlined earlier in this chapter. The Police Department averaged almost \$1.8 million from 2013 through 2015 and then declined to \$1.6 million. Buildings and Codes grew from \$220,514 in 2013 to \$413,663 in 2017, an increase of \$193,149 or 87.6 percent. (See Table 3-9.)

Table 3-9
WARREN CITY
Departmental Expenditures
2013 to 2017

Department	2013	2014	2015	2016	2017	Change 2013 – 2017	
	Actual	Actual	Actual	Actual	Actual	\$	%
Administration	\$1,492,805	\$2,523,956	\$1,883,130	\$2,485,718	\$2,171,629	678,824	45.5
Police Department	1,754,389	1,784,884	1,766,948	1,647,924	1,645,656	-108,733	-6.2
Fire Department	1,965,259	1,998,246	1,971,245	1,951,963	2,184,532	219,273	11.2
Public Works	2,036,229	2,452,808	2,440,111	2,104,393	2,186,057	149,828	7.4
Community/Econ. Develop	90,103	75,176	72,965	78,169	83,371	-6,733	-7.5
Building/Code	220,514	229,099	240,620	380,871	413,663	193,149	87.6
Total Expenditures	\$7,559,299	\$9,064,168	\$8,375,019	\$8,649,039	\$8,684,908	1,125,608	14.9
Department	Percent of Total						
Administration	19.7	27.8	22.5	28.7	25.0		
Police Department	23.2	19.7	21.1	19.1	18.9		
Fire Department	26.0	22.0	23.5	22.6	25.2		
Public Works	26.9	27.1	29.1	24.3	25.2		
Community/Econ Develop	1.2	0.8	0.9	0.9	1.0		
Building/Code	2.9	2.5	2.9	4.4	4.8		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Personnel Departmental Expenditures

The departmental expenditures above include both personnel and non-personnel costs. A different picture emerges when looking only at personnel expenditures. In that case, the largest spending was in the Fire Department, where expenses rose from approximately \$1.8 million in 2013 and then fell to approximately \$1.7 million in 2015, ending at almost \$1.9 million in 2017. The change from 2013 to 2017 was a growth of \$88,101 or 4.9 percent. Police Department expenditures declined from almost \$1.6 million in 2013 to almost \$1.5 million in 2017. The decrease from 2013 to 2017 was a drop of \$64,389 or 4.2 percent. Administration costs varied during the period from a high of \$551,740 in 2013 to a low of \$493,220 in 2016, ending at \$517,769. The change from 2013 to 2017 was a decrease of \$34,707 or 6.3 percent. Public Works also fluctuated, from a high of \$718,192 in 2017 to a low of \$615,331 in 2015. The greatest increase was in Buildings and Codes, which grew from \$178,846 in 2013 to \$305,669 in 2017, an increase of \$126,823 or 70.9 percent, mostly due to an increase in wages-technical. (See Table 3-10.)

Table 3-10
WARREN CITY
Departmental Personnel Expenditures
2013 to 2017

Department	2013	2014	2015	2016	2017	Change 2013 - 2017	
	Actual	Actual	Actual	Actual	Actual	\$	%
Administration	\$551,740	\$559,668	\$526,939	\$493,220	\$516,769	-34,707	-6.3
Police Department	1,550,182	1,542,227	1,531,666	1,457,973	1,485,793	-64,389	-4.2
Fire Department	1,789,988	1,818,765	1,664,367	1,773,025	1,878,088	88,101	4.9
Public Works	663,164	624,923	615,331	663,601	718,192	55,028	8.3
Community/Econ Devel	62,432	67,605	64,502	71,018	76,246	13,814	22.1
Building/Code	178,846	167,138	126,119	263,296	305,669	126,823	70.9
Total	\$4,796,352	\$4,780,326	\$4,528,924	\$4,722,133	\$4,981,021	184,670	

Fire

Personnel expenditures represent 84 percent to 91 percent of total Fire Department expenditures throughout the historical review period. Salary and wages is the largest fire personnel expenditure, with salaries and wages rising from \$1 million in 2013 to \$1.1 million in 2017, a change of \$132,474 or 13.0 percent. The next largest expenditures are medical insurance and pension/retirement pay. Medical insurance rose from \$286,769 in 2013 to peak at \$335,988 in 2014, and then dropped to \$252,594 in 2017, an 11.9 percent decline from 2013. Pension also varied, rising from \$301,430 in 2013 to a low of \$255,007 in 2014. In 2017, the pension payment was \$298,185 or a decrease of \$3,245 from 2013. (See Tables 3-11 and 3-12.)

Table 3-11
 WARREN CITY
Fire Personnel and Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
Type	Actual	Actual	Actual	Actual	Actual	\$	%
Personnel	\$1,789,988	\$1,818,765	\$1,664,367	\$1,773,025	\$1,878,088	88,101	4.9
Non-Personnel	<u>175,271</u>	<u>179,481</u>	<u>306,877</u>	<u>178,939</u>	<u>306,444</u>	131,173	74.8
Total Expenditures	\$1,965,259	\$1,998,246	\$1,971,245	\$1,951,963	\$2,184,532	219,273	11.2
Type	Percent of Total						
Personnel	91.1	91.0	84.4	90.8	86.0		
Non-Personnel	8.9	9.0	15.6	9.2	14.0		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Table 3-12
 WARREN CITY
Fire Expenditure Detail
 2013 to 2017

Department	2013	2014	2015	2016	2017	Change 2013 - 2017	
	Actual	Actual	Actual	Actual	Actual	\$	%
Salary & Wages	\$1,016,296	\$1,036,261	\$1,025,035	\$1,089,555	\$1,148,770	132,474	13.0
FICA (Social Security)	74,847	77,315	76,389	80,505	85,712	10,865	14.5
Pension/Retirement Pay	301,430	255,007	256,060	293,375	298,185	-3,245	-1.1
Medical Insurance	286,769	335,988	215,777	229,036	252,594	-34,176	-11.9
Employee Ben Contribution	-9,583	-10,144	-19,568	-22,527	-25,079	-15,496	161.7
Health Ins Opt Out	0	0	12,827	19,000	22,001	22,001	100.0
Other Employee Benefits	3,626	3,730	3,767	3,611	3,923	297	8.2
Unemployment Insurance	9,249	9,688	10,621	9,894	10,782	1,533	16.6
Workers Compensation	82,502	90,289	73,557	64,161	62,778	-19,724	-23.9
Retiree Benefits	13,249	13,249	4,336	0	0	-13,249	-100.0
Clothing and Uniforms	11,603	7,383	5,567	6,416	18,423	6,820	58.8
Advertising	1,021	936	883	1,349	939	-82	-8.1
Capital	12,043	16,668	133,861	13,811	136,933	124,890	1,037.1
Chemicals	1,241	1,393	1,497	1,497	1,441	200	16.1
Contracted Services	16,505	14,598	17,126	16,038	19,554	3,049	18.5
Dues, Subscriptions,	545	1,136	1,023	857	887	342	62.7
Equipment	16,899	9,631	7,018	19,893	20,583	3,684	21.8
Gen Repair/Maintenance	1,791	1,395	1,950	1,912	1,179	-612	-34.2
General Operating Supplies	4,029	4,482	3,961	5,493	12,546	8,517	211.4
Hydrant Service	57,377	52,623	52,666	52,753	48,176	-9,201	-16.0
Improvement Purchases	0	0	0	0	8,355	8,355	100.0
Insurance	3,848	3,929	3,892	3,328	3,357	-491	-12.8
Internet/Website	290	290	900	914	734	444	153.2
Legal Services	2,659	6,306	18,528	3,231	4,296	1,638	61.6
Medical Services	3,525	1,756	2,588	708	1,792	-1,733	-49.2
Miscellaneous	456	264	50	518	44	-411	-90.3
Office Expense	3,792	3,267	3,348	3,374	2,536	-1,256	-33.1
Postage	2,545	2,507	2,725	2,884	2,769	224	8.8
Printing/Publishing	352	369	404	404	664	312	88.6
Repair & Maintenance	7,079	6,209	8,139	7,955	5,223	-1,857	-26.2
Supplies	2,382	3,529	3,567	3,128	2,289	-93	-3.9
Telephone	3,501	3,701	4,047	3,639	3,756	255	7.3
Training and Education	5,224	5,142	1,602	3,616	2,095	-3,129	-59.9
Utilities	12,025	13,764	13,415	13,282	12,311	286	2.4
Vehicle Expense	16,143	25,585	23,689	18,356	13,985	-2,158	-13.4
Total Expenditures	\$1,965,259	\$1,998,246	\$1,971,245	\$1,951,963	\$2,184,532	219,273	11.2

Police

Personnel costs account for up to 90 percent of total police expenditures during the historical review period. Personnel expenses fell from almost \$1.6 million in 2013 to almost \$1.5 million in 2017, a drop of \$64,389 or 4.2 percent. Salary and wages, which are the largest police personnel costs, increased from \$888,937 in 2013 to \$933,349 in 2017, a growth of \$44,312 or 5.0 percent. But other personnel expenditures fell including pension (\$35,899), medical insurance (\$51,898), workers’ compensation (\$22,728), and retiree benefits (\$32,446). Non-personnel expenditures also declined from \$204,207 in 2013 to \$159,863, a decrease of \$44,344 or 21.7 percent. (See Table 3-13 and 3-14.)

Table 3-13
 WARREN CITY
Police Personnel and Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Type</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Personnel	\$1,550,182	\$1,542,227	\$1,531,666	\$1,457,973	\$1,485,793	-64,389	-4.2
Non-Personnel	204,207	242,657	235,282	189,951	159,863	-44,344	-21.7
Total Expenditures	\$1,754,389	\$1,784,884	\$1,766,948	\$1,647,924	\$1,645,656	-108,733	-6.2
<u>Type</u>	Percent of Total						
Personnel	88.4	86.4	86.7	88.5	90.3		
Non-Personnel	11.6	13.6	13.3	11.5	9.7		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Table 3-14
 WARREN CITY
Police Expenditure Detail
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
Department	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Salary & Wages	\$888,937	\$826,374	\$936,726	\$941,720	\$933,249	44,312	5.0
Overtime	80,854	110,663	101,428	108,394	115,820	34,966	43.2
Longevity	2,059	958	1,097	1,097	1,123	-936	-45.5
FICA	17,554	15,159	16,514	16,935	16,491	-1,062	-6.1
Pension	181,370	221,701	189,168	133,197	145,471	-35,899	-19.8
Medical Insurance	255,334	259,970	189,765	173,010	203,436	-51,898	-20.3
Benefits	5,742	8,385	7,770	5,788	6,155	413	7.2
Unemployment Insurance	5,888	6,669	6,479	7,089	6,777	889	15.1
Workers Compensation	77,266	81,396	73,060	60,857	54,539	-22,728	-29.4
Retiree Benefits	35,177	10,952	9,659	9,886	2,732	-32,446	-92.2
Communications/Transportation	14,210	14,431	16,487	14,304	15,391	1,180	8.3
Contract Services	12,971	18,692	16,171	14,412	21,502	8,531	65.8
Equipment	28,895	26,911	6,851	5,592	13,893	-15,002	-51.9
Fees, Dues, Subscriptions	1,299	1,335	1,246	1,132	1,922	623	48.0
Insurance	14,283	16,321	16,651	17,696	12,926	-1,357	-9.5
Other	21,396	12,263	18,708	17,209	22,291	894	4.2
Professional Services	15,347	55,701	14,900	25,635	8,976	-6,372	-41.5
Repair & Maintenance	9,720	12,326	11,180	10,547	25,875	16,154	166.2
Services	1,490	1,476	1,341	430	379	-1,110	-74.5
Supplies	5,548	8,480	10,367	8,803	11,687	6,139	110.7
Vehicle Expense	25,532	25,132	17,486	15,661	14,706	-10,827	-42.4
Transfers Non-Governmental Units	0	0	0	0	500	500	100.0
Capital Equipment	53,514	49,589	103,894	58,530	9,816	-43,698	-81.7
Total Expenditures	\$1,754,389	\$1,784,884	\$1,766,948	\$1,647,924	\$1,645,656	-108,733	-6.2

Public Works

The bulk of Public Works departmental expenditures (65 to over 70 percent) are non-personnel, mostly for contracted services related to snow removal, parks, trees, recreation and pools, as well as supplies, utilities and capital costs. Salary and wages account for over half of total Public Works personnel costs, which grew from \$663,164 in 2013 to \$718,192 in 2017 for an increase of 8.3 percent. Non-personnel expenditures rose from almost \$1.4 million in 2013 to \$1.8 million in 2014, and then declined to \$1.4 million in 2017. (See Table 3-15 and 3-16.)

Table 3-15
 WARREN CITY
Public Works Personnel and Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
<u>Type</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Personnel	\$663,164	\$624,923	\$615,331	\$663,601	\$718,192	55,028	8.3
Non-Personnel	1,371,066	1,825,481	1,786,447	1,402,369	1,429,442	58,376	4.3
Debt Service	0	404	36,333	36,424	36,424	36,424	100.0
Transfers Out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>0.0</u>
Total Expenditures	\$2,036,229	\$2,452,808	\$2,440,111	\$2,104,393	\$2,186,057	149,828	7.4
Type	Percentage of Total						
Personnel	32.6	25.5	25.2	31.5	32.9		
Non-Personnel	67.3	74.4	73.2	66.6	65.4		
Debt Service	0.0	0.0	1.5	1.7	1.7		
Transfers Out	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Table 3-16
 WARREN CITY
Public Works Expenditure Detail
 2013 to 2017

<u>Department</u>	2013	2014	2015	2016	2017	Change 2013 - 2017	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Salary & Wages	\$429,972	\$392,601	\$409,988	\$456,424	\$504,795	74,823	17.4
Overtime	32,020	24,893	32,292	30,984	19,376	-12,644	-39.5
Longevity	4,287	5,115	5,641	5,446	6,243	1,956	45.6
FICA	35,153	31,800	32,986	35,755	39,005	3,852	11.0
Medical Insurance	115,035	124,654	90,689	95,744	108,171	-6,864	-6.0
Benefits	3,111	3,175	3,373	3,030	2,350	-762	-24.5
Unemployment Insurance	4,576	4,001	3,633	4,057	4,830	254	5.6
Workers' Compensation	39,009	38,684	36,730	32,161	33,423	-5,586	-14.3
Communications/Transportation	15,370	10,585	13,382	14,268	14,258	-1,112	-7.2
Contract Services	512,151	812,240	852,447	651,657	576,241	64,090	12.5
Equipment	15,855	85,237	79,301	56,062	82,462	66,607	420.1
Fees, Dues, Subscriptions	269	59	736	689	368	99	36.9
Insurance	0	1,891	0	0	0	0	-100.0
Other	74,717	84,439	118,722	99,509	117,376	42,659	57.1
Professional Services	2,037	1,091	1,053	2,372	3,563	1,526	74.9
Repair & Maintenance	22,468	22,256	31,238	12,647	10,134	-12,334	-54.9
Services	198	268	621	551	493	295	148.5
Supplies	194,587	212,892	247,110	227,034	240,703	46,115	23.7
Utilities	178,785	164,629	189,041	200,620	210,238	31,454	17.6
Capital Equipment	280,630	330,842	152,111	21,066	25,949	-254,681	-90.8
Eng. & Arch. Services	9,160	36,856	38,395	55,289	46,516	37,356	407.8
Vehicle Expense	60,189	59,610	62,291	60,605	76,512	16,323	27.1
Capital Improvements	4,650	2,586	0	0	24,628	19,978	429.6
Debt Service	0	404	36,333	36,424	36,424	36,424	100.0
Transfers Out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>	0.0
Total Expenditures	\$2,036,229	\$2,452,808	\$2,440,111	\$2,104,393	\$2,186,057	149,828	7.4

Administration

Administration departmental expenditures include debt service and previously discussed transfers. Personnel and non-personnel costs are similar, with salary and wages, pension and medical the largest personnel expenses and non-health insurances, professional services (accounting and legal), and taxes and commissions the largest non-personnel expenditures. Personnel expenditures fluctuated from a high of \$559,668 in 2014 to a low of \$493,220 in 2016. The change from 2013 to 2017 was a decline of \$34,971 or 6.3 percent. Non-personnel costs varied from a high of \$518,410 in 2013 to a low of \$436,144 in 2015. (See Tables 3-17 and 3-18.)

Table 3-17
 WARREN CITY
Administration Personnel and Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017		
Type	Actual	Actual	Actual	Actual	Actual	\$	%	
Personnel	\$551,740	\$559,668	\$526,939	\$493,220	\$516,769	-34,971	-6.3	
Non-Personnel	518,410	474,940	436,144	478,589	448,288	-70,122	-13.5	
Debt Service	82,262	81,531	33,290	16,186	12,787	-69,475	-84.5	
Transfers Non-Governmental Units	23,000	24,200	27,000	29,025	29,000	6,000	26.1	
Transfers Out	<u>317,394</u>	<u>1,383,617</u>	<u>859,756</u>	<u>1,468,699</u>	<u>1,164,784</u>	<u>847,391</u>	<u>267.0</u>	
Total Expenditures	\$1,492,805	\$2,523,956	\$1,883,130	\$2,485,718	\$2,171,629	678,824	45.5	
	Percent of Total							
Personnel	37.0	22.2	28.0	19.8	23.8			
Non-Personnel	34.7	18.8	23.2	19.3	20.6			
Debt Service	5.5	3.2	1.8	0.7	0.6			
Transfers Non-Governmental Units	1.5	1.0	1.4	1.2	1.3			
Transfers Out	<u>21.3</u>	<u>54.8</u>	<u>45.7</u>	<u>59.1</u>	<u>53.6</u>			
Total Expenditures	100.0	100.0	100.0	100.0	100.0			

Table 3-18
 WARREN CITY
Administration Expenditure Detail
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
Department	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Salary & Wages	\$231,685	\$245,908	\$236,060	\$253,785	\$274,136	42,451	18.3
FICA	17,396	18,403	17,297	18,380	19,689	2,293	13.2
Pension	211,217	198,243	196,134	136,779	135,508	-75,709	-35.8
Medical Insurance	74,946	88,643	69,448	77,972	80,583	5,636	7.5
Benefits	-781	-2,090	-2,255	-3,855	-3,454	-2,673	342.3
Unemployment Insurance	8,541	1,787	1,710	1,698	1,791	-6,750	-79.0
Workers Compensation	885	924	694	611	666	-219	-24.8
Retiree Benefits	7,851	7,851	7,851	7,851	7,851	0	0.0
Communications/Transportation	18,281	28,364	21,278	33,793	32,188	13,907	76.1
Contract Services	61,825	61,764	53,523	63,850	81,690	19,865	32.1
Equipment	4,594	3,487	9,499	4,738	5,407	813	17.7
Fees, Dues, Subscriptions	6,940	7,395	7,242	7,595	7,633	693	10.0
Insurance	77,666	80,841	83,676	90,654	70,347	-7,319	-9.4
Other	39,578	11,608	6,853	10,952	11,659	-27,919	-70.5
Professional Services	87,337	79,815	71,163	83,651	75,730	-11,606	-13.3
Repair & Maintenance	26,987	25,881	29,890	47,008	38,288	11,301	41.9
Supplies	11,869	12,561	14,538	28,506	16,446	4,577	38.6
Taxes/Commissions	127,965	136,049	111,113	80,682	80,731	-47,234	-36.9
Utilities	26,983	27,175	27,368	27,158	28,168	1,185	4.4
Capital Equipment	28,385	0	0	0	0	-28,385	-100.0
Debt Service	82,262	81,531	33,290	16,186	12,787	-69,475	-84.5
Transfers Non-Governmental Units	23,000	24,200	27,000	29,025	29,000	6,000	26.1
Transfers Out	<u>317,394</u>	<u>1,383,617</u>	<u>859,756</u>	<u>1,468,699</u>	<u>1,164,784</u>	<u>847,391</u>	267.0
Total Expenditures	\$1,492,805	\$2,523,956	\$1,883,130	\$2,485,718	\$2,171,629	678,824	45.5

CHAPTER 4 FINANCIAL PROJECTIONS

PEL's financial projections for 2019 through 2023 indicate that the City's General Fund revenues will not be able to keep pace with growing General Fund expenditures. As a result, the City will most likely need to consider appropriate expenditure reductions or revenue increases in order to avoid future operating deficits in the General Fund. Revenues are anticipated to be fairly flat with the bulk of growth in earned income taxes and pension state aid. In terms of General Fund expenditures, the largest increases are projected in salary and wages and medical insurance. The largest anticipated departmental growth is in the Fire Department. The City's 2019 budget anticipates using unrestricted fund balance from the General Fund as needed to avoid a 2019 deficit.

PEL prepared its General Fund operating projections using the 2019 budget, the historical revenue and expenditure patterns outlined in Chapter 3, the current collective bargaining agreements, actuarial pension data, amortization tables and similar information.

Revenue Projection Assumptions

- No increase in tax rates or fees for baseline projections
- The 2019 budget with adjustments serves as the baseline
- Real Estate Tax revenue held at the 2019 budget level
- 0.5 percent annual growth in Earned Income Tax revenue
- Local Services Tax revenue held at the 2019 budget level
- 5.0 percent annual growth in Real Estate Transfer Tax revenue
- License and permits held at 2019 budget level
- 2.0 percent annual growth in state aid
- Transfers are at 2019 budget level and held constant
- Other revenues and transfers from other funds held at budgeted levels or 2013-2018 average revenue

Expenditure Projection Assumptions

- The 2019 budget with adjustments serves as the baseline
- Employee counts were assumed to remain at 2019 budgeted levels

- Salaries for union employees increased based on CBA
- Other salaries increase 2.5 percent throughout the period
- Pension contribution increased per contractual levels
- Health insurance is increased by 6.0 percent
- Other insurances increased by 1.5 percent annually
- Workers' compensation was held constant
- Contracted and professional services increased by 2.0 percent annually
- Transfers were held constant at 2019 budgeted level
- Debt service payments correspond to amortization schedules; no new debt incurred
- Other items were held constant or increased by 2.0 percent annually

General Fund Revenues and Expenditures

Projections indicate that the City of Warren will experience growing, annual deficits from 2019 through 2023. Revenues are projected to increase from \$8.4 million in 2019 to \$8.5 million in 2023. The change is an increase of \$131,125 or 1.6 percent. Revenues (excluding the use of Fund Balance) and Expenditures (excluding transfers out for capital expenses) are expected to rise from approximately \$8.9 million in 2019 to approximately \$9.7 million in 2023. The difference between 2019 and 2023 is a growth of \$892,740 or 10.1 percent. Annual deficits are projected to rise from \$442,927 in 2019 to \$1.2 million in 2023.

Historically, the City has funded significant annual expenditures in the General Fund that appear to be related to capital. In 2019, these transfers out of the General Fund total \$1.3 million. Because these transfers out of the General Fund skew the actual operating budget, expenditures are first presented without transfers out. When projected transfers out are included, the deficits grow from approximately \$1.8 million in 2019 to \$2.5 million in 2023. Historically, transfers out varied from year to year but averaged approximately \$1 million annually. (See Table 4-1.)

Table 4-1
 WARREN CITY
General Fund Revenues, Expenditures and Surplus/(Deficit)
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023	
	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Revenues	\$8,411,354	\$8,443,443	\$8,475,985	\$8,508,993	8,542,479	131,125	1.6
Expenditures	<u>8,854,281</u>	<u>9,136,706</u>	<u>9,349,442</u>	<u>9,543,838</u>	<u>9,747,021</u>	<u>892,740</u>	<u>10.1</u>
Operating Surplus/(Deficit)	-442,927	-693,263	-873,457	-1,034,845	-1,204,542		
Transfers Out	-1,315,920	-1,315,920	-1,315,920	-1,315,920	-1,315,920		
Net Surplus/(Deficit)	-\$1,758,847	-\$2,009,183	-\$2,189,377	-\$2,350,765	-2,520,462		

General Fund Revenues

Tax revenues are anticipated to grow by 1.4 percent, increasing by only \$94,065 from \$6.5 million in 2019 to \$6.6 million in 2023. Non-tax revenue is expected to rise by \$37,060 or 2.3 percent. Transfers in are held constant in the projections as noted in the assumptions. Tax revenue accounts for 78 percent of total revenues, while non-tax revenue is 19 percent and transfers are 3 percent of total revenues. (See Table 4-2.)

Table 4-2
 WARREN CITY
Total Revenues
 2019 to 2023

<u>Category</u>	2019	2020	2021	2022	2023	Change 2019 - 2023	
	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Tax Revenue	\$6,529,500	\$6,552,598	\$6,575,968	\$6,599,621	\$6,623,565	94,065	1.4
Non Tax Revenue	1,608,448	1,617,440	1,626,611	1,635,966	1,645,508	37,060	2.3
Transfers In	<u>273,406</u>	<u>273,406</u>	<u>273,406</u>	<u>273,406</u>	<u>273,406</u>	<u>0</u>	<u>0.0</u>
Total Revenue	\$8,411,354	\$8,443,443	\$8,475,985	\$8,508,993	\$8,542,479	131,125	1.6
Category	Percent of Total						
Tax Revenue	77.6	77.6	77.6	77.6	77.5		
Non Tax Revenue	19.1	19.2	19.2	19.2	19.3		
Transfers In	<u>3.3</u>	<u>3.2</u>	<u>3.2</u>	<u>3.2</u>	<u>3.2</u>		
Total Revenue	100.0	100.0	100.0	100.0	100.0		

Tax Revenue

The largest projected growth in total tax revenue is from earned income tax, which is anticipated to rise by \$78,980 or 2.0 percent from \$3.9 million in 2019 to almost \$4.0 million in 2023. Earned income taxes are over half of total tax revenue. General purpose real estate taxes (approximately one-third of total tax revenue) and local services taxes are expected to be flat at \$2.2 million and \$325,000, respectively. Real estate transfer tax is projected to increase by \$15,085 or 21.6 percent. (See Table 4-3.)

Table 4-3
WARREN CITY
Total Taxes
2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023	
<u>Category</u>	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>\$</u>	<u>%</u>
Real Estate Taxes	\$2,215,000	\$2,215,000	\$2,215,000	\$2,215,000	\$2,215,000	0	0.0
Earned Income Taxes	3,919,500	3,939,098	3,958,793	3,978,587	3,998,480	78,980	2.0
Local Services Tax	325,000	325,000	325,000	325,000	325,000	0	0.0
Real Estate Transfer Tax	70,000	73,500	77,175	81,034	85,085	15,085	21.6
Total Taxes	\$6,529,500	\$6,552,598	\$6,575,968	\$6,599,621	\$6,623,565	94,065	1.4
<u>Category</u>							
Real Estate Taxes	33.9	33.8	33.7	33.6	33.4		
Earned Income Taxes	60.0	60.1	60.2	60.3	60.4		
Local Services Tax	5.0	5.0	4.9	4.9	4.9		
Real Estate Transfer Tax	1.1	1.1	1.2	1.2	1.3		
Total Taxes	100.0	100.0	100.0	100.0	100.0		

Non-Tax Revenue

The only projected growth in non-tax revenue is for pension state aid, which is anticipated to increase by \$37,060 or 8.2 percent. All other sources are held flat for the projections. (See Table 4-4.)

Table 4-4
 WARREN CITY
Total Non-Tax Revenues
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023		
<u>Category</u>	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%	
Fines/Forfeits	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	0	0.0	
Interest Earnings	10,000	10,000	10,000	10,000	10,000	0	0.0	
Rentals	2,500	2,500	2,500	2,500	2,500	0	0.0	
PURTA	7,000	7,000	7,000	7,000	7,000	0	0.0	
License/Permits	459,050	459,050	459,050	459,050	459,050	0	0.0	
Pension State Aid	449,580	458,572	467,743	477,098	486,640	37,060	8.2	
Grants	98,918	98,918	98,918	98,918	98,918	0	0.0	
Liquid Fuels	12,000	12,000	12,000	12,000	12,000	0	0.0	
Charges for Services	480,050	480,050	480,050	480,050	480,050	0	0.0	
Miscellaneous Revenue	6,050	6,050	6,050	6,050	6,050	0	0.0	
Contributions & Donations	11,800	11,800	11,800	11,800	11,800	0	0.0	
Reimbursements	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>0</u>	<u>0.0</u>	
Total Non-Tax Revenue	1,608,448	1,617,440	1,626,611	1,635,966	1,645,508	37,060	2.3	
	Percentage of Total							
Fines/Forfeits	3.3	3.2	3.2	3.2	3.2			
Interest Earnings	0.6	0.6	0.6	0.6	0.6			
Rentals	0.2	0.2	0.2	0.2	0.2			
PURTA	0.4	0.4	0.4	0.4	0.4			
License/Permits	28.5	28.4	28.2	28.1	27.9			
Pension State Aid	28.0	28.4	28.8	29.2	29.6			
Grants	6.1	6.1	6.1	6.0	6.0			
Liquid Fuels	0.7	0.7	0.7	0.7	0.7			
Charges for Services	29.8	29.7	29.5	29.3	29.2			
Miscellaneous Revenue	0.4	0.4	0.4	0.4	0.4			
Contributions & Donations	0.7	0.7	0.7	0.7	0.7			
Reimbursements	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>			
Total Non-Tax Revenue	100.0	100.0	100.0	100.0	100.0			

General Fund Expenditures

Personnel versus Non-Personnel

Projections indicate that personnel expenditures will likely increase by \$823,404 or 15.0 percent from 2019 to 2023. The largest anticipated growth is from salary and wages (\$387,857 or 11.5 percent), health insurance (\$229,812 or 26.2 percent) and pension/retirement (\$183,520 or 27.3 percent). Personnel expenditures are anticipated to account for 54 percent to 57 percent of total expenditures from 2019 to 2023. Non-personnel costs are expected to grow by \$96,729 or 3.2 percent. The increase is spread among a large number of categories including equipment, contracted services, non-health related insurance, legal services, repairs and maintenance, utilities and vehicle expenses. Debt service falls by \$27,393 or 9.8 percent from \$279,360 in 2019 to \$251,967 in 2023. Transfers out are held constant at the 2019 level of approximately \$1.3 million. (Table 4-5.)

Table 4-5
WARREN CITY
Personnel versus Non-Personnel Expenditures
2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023	
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Personnel	\$5,495,098	\$5,788,829	\$5,975,911	\$6,144,122	\$6,318,502	823,404	15.0
Non-Personnel	3,043,623	3,064,066	3,088,996	3,114,422	3,140,352	96,729	3.2
Debt Service	279,360	247,610	248,335	249,094	251,967	-27,393	-9.8
Transfers Non Gov Units	36,200	36,200	36,200	36,200	36,200	0	0.0
Transfers Out	<u>1,315,920</u>	<u>1,315,920</u>	<u>1,315,920</u>	<u>1,315,920</u>	<u>1,315,920</u>	<u>0</u>	<u>0.0</u>
Total Expenditures	\$10,170,201	\$10,452,626	\$10,665,362	\$10,859,758	\$11,062,941	892,740	8.8
	Percentage of Total						
Personnel	54.0	55.4	56.0	56.6	57.1		
Non-Personnel	29.9	29.3	29.0	28.7	28.4		
Debt Service	2.7	2.4	2.3	2.3	2.3		
Transfers Non Gov Units	0.4	0.3	0.3	0.3	0.3		
Transfers Out	<u>12.9</u>	<u>12.6</u>	<u>12.3</u>	<u>12.1</u>	<u>11.9</u>		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Departmental Expenditures

The Fire Department is projected to see the largest expenditure increase, rising from \$2.3 million in 2019 to \$2.7 million in 2023, a growth of \$392,565 or 16.8 percent. The Police Department is anticipated to experience the next highest growth at \$211,791 or 10.7 percent. Public works is anticipated to rise by \$164,769 or 6.8 percent, while administration is likely to grow by \$69,494 or 2.5 percent. Buildings and Codes is estimated to grow by \$39,360 or 10 percent, and Community and Economic Development is anticipated to increase by \$14,760 or 6.7 percent. Considering only employee expenditures, the Fire Department has the highest costs (approximately 40 percent of the total), followed by the Police Department (approximately 30 percent of the total) and the Public Works Department (approximately 15 percent of the total). (Tables 4-6 and 4-7 and Graph 4-1.)

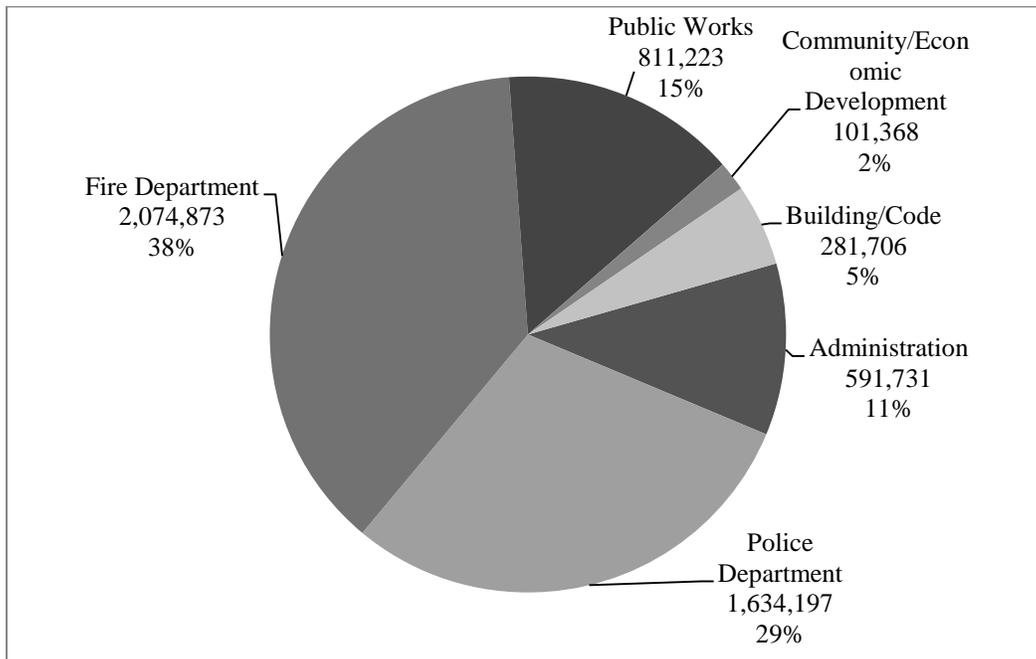
Table 4-6
WARREN CITY
Total Departmental Expenditures
2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023	
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Administration	\$2,818,100	\$2,815,125	\$2,837,880	\$2,861,351	\$2,887,594	69,494	2.5
Police Department	1,970,457	2,024,938	2,076,385	2,128,380	2,182,248	211,791	10.7
Fire Department	2,332,273	2,511,481	2,591,299	2,656,925	2,724,838	392,565	16.8
Public Works	2,436,397	2,474,101	2,519,912	2,559,852	2,601,166	164,769	6.8
Community/Economic Development	220,088	223,870	227,391	231,048	234,848	14,760	6.7
Building/Code	<u>392,886</u>	<u>403,111</u>	<u>412,495</u>	<u>422,202</u>	<u>432,246</u>	<u>39,360</u>	<u>10.0</u>
Total Expenditures	\$10,170,201	\$10,452,626	\$10,665,362	\$10,859,758	\$11,062,941	892,740	8.8
Department	Percentage of Total						
Administration	27.7	26.9	26.6	26.3	26.1		
Police Department	19.4	19.4	19.5	19.6	19.7		
Fire Department	22.9	24.0	24.3	24.5	24.6		
Public Works	24.0	23.7	23.6	23.6	23.5		
Community/Economic Development	2.2	2.1	2.1	2.1	2.1		
Building/Code	<u>3.9</u>	<u>3.9</u>	<u>3.9</u>	<u>3.9</u>	<u>3.9</u>		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Table 4-7
 WARREN CITY
Total Departmental Personnel Expenditures
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019 - 2023	
Department	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Administration	\$591,731	\$610,511	\$627,689	\$645,490	\$663,925	72,194	12.2
Police Department	1,634,197	1,686,335	1,735,392	1,784,949	1,836,330	202,133	12.4
Fire Department	2,074,873	2,250,839	2,327,350	2,389,603	2,454,076	379,203	18.3
Public Works	811,223	844,786	876,952	902,937	929,951	118,728	14.6
Community/Economic Development	101,368	105,087	108,543	112,134	115,867	14,499	14.3
Building/Code	281,706	291,273	299,985	309,008	318,353	36,647	13.0
Total Expenditures	\$5,495,098	\$5,788,829	\$5,975,911	\$6,144,122	\$6,318,502	823,404	15.0
Department							
Administration	10.8	10.5	10.5	10.5	10.5		
Police Department	29.7	29.1	29.0	29.1	29.1		
Fire Department	37.8	38.9	38.9	38.9	38.8		
Public Works	14.8	14.6	14.7	14.7	14.7		
Community/Economic Development	1.8	1.8	1.8	1.8	1.8		
Building/Code	5.1	5.0	5.0	5.0	5.0		
Total Expenditures	100.0	100.0	100.0	100.0	100.0		

Graph 4-1
 WARREN CITY
Total Departmental Personnel Expenditures
 2019



CHAPTER 5 LABOR AND PERSONNEL

Introduction

The City of Warren's status as a home rule community with a charter established under the Home Rule Charter and Optional Plan Law has several important implications relating to the City's personnel administration. The City's Home Rule Charter and Personnel Code give the City Manager extensive authority to manage personnel matters, including hiring and firing. This centralization in the office of an appointed, professional city manager avoids many of the issues that can sometimes arise in other communities where authority is divided and departments are directly overseen by elected officials who may not have an extensive background in public administration and personnel management.

Under the City Manager's direction and with the involvement and support of the Mayor and Council, the City has successfully negotiated collective bargaining agreements that have resulted in cost-saving changes on health care, increased employee health care contributions and in some cases obtained cost-saving concessions on pension benefits for new hires.

Three groups of City employees are unionized. Police officers are represented by the Fraternal Order of Police, Lodge No. 83. Firefighters are represented by the International Association of Firefighters Local 1835. Public works employees are represented by the International Brotherhood of Electrical Workers, Local Union 459. The City has generally maintained good labor relations with all three groups and has been successful in working out issues that have arisen. The police and fire bargaining units have the right to demand interest arbitration under Act 111 of 1968 in the event an agreement is not reached at the bargaining table. The Firefighters' contract did proceed to Act 111 interest arbitration in 2018 for the first time in many years, while the police contract last went to Act 111 interest arbitration in 2001.

Health Care

A major change for all three unionized groups as well as the City's non-union employees took place in 2015 when the City shifted from providing health care coverage through a traditional health insurance plan to a self-insured pool administered by Municipal Benefits Services. This change resulted in significant savings at the time, although as is typical costs have

continued to increase. As a result, it is critical to continue exploring additional avenues for containing health care costs.

Although the City has successfully obtained gradual increases in the employee health care contributions, the contributions for all groups of employees are flat dollar amounts. For example, the union employee family coverage contribution in 2017 was \$62 per pay period. This contribution stayed the same for the entire year regardless of increases to the City's health care rates. It would be beneficial to base at least part of the employee health care contribution on either a percentage of premium (i.e., 10% of the premium cost) or a percentage of the increase in premium cost (for example, 15% of the cumulative increase in premium cost since base year 2015). Unions generally are more willing to discuss and agree to changes that reduce health care costs when the employee health care contributions are linked to the premium cost. This is because employees have an incentive to keep health care costs low since it also would reduce the employees' contributions. If the City is going to implement a percentage-based health care contribution, it will likely have to do so first with its non-union employees.

The City should continue seeking increases in its employee contribution levels. The City's union-represented employees contributed approximately 8.76% of family coverage costs in 2017. Although the City's employee contribution levels are significantly higher than they were in the past and are not atypical for municipalities, on a national level the average employee contribution is 30% of the family coverage cost.

The City has controlled plan costs by gradually increasing deductibles in the past two rounds of collective bargaining. The City implemented a \$250 deductible for individuals and \$500 deductible for families in 2015. The amount was increased to \$500 for individuals and \$1,000 for families in 2018 for all employees except the Firefighters bargaining unit, whose contractual terms will be set by the pending Act 111 interest arbitration process. The City temporarily reimbursed some of the deductible expense through a Flexible Spending Account ("FSA") for each employee, into which the City contributed \$250 in 2015, \$200 in 2016, and \$150 in 2017. The FSA has been phased out for all groups except the Firefighters, whose contract terms will be determined by the Act 111 interest arbitration panel. The City should continue to seek deductible increases in the future. Because employee payment of deductibles has been demonstrated to be an effective strategy in containing health care costs, care should be

taken to avoid insulating employees from the impact of the deductible, such as by reinstating an FSA or establishing new reimbursement arrangements such as a Health Reimbursement Arrangement (“HRA”) or Health Savings Account (“HSA”) (which would only be an option if a High Deductible Healthcare Plan were adopted).

Particular care should be taken to avoid the Affordable Care Act’s Cadillac Tax, which is set to take effect in 2022. The tax will be levied on the amount of the employer-sponsored coverage that is over the Cadillac Tax threshold. The tax will generally apply where the cost of family or other non-individual coverage is more than \$27,500 or the cost of individual coverage is more than \$10,200. For individuals in high risk professions, including police and firefighters, these thresholds will be increased slightly to \$11,850 for individual coverage or \$30,950 for family and other non-individual coverage. These higher thresholds only apply if a majority of employees in the plan fall within the high risk category. If the cost of coverage is above these amounts, a 40% tax will be owed on the amount in excess of the threshold. Paying the tax will benefit neither employers nor employees, and it has been strongly opposed by both employers and labor unions. But there have been no serious efforts to repeal it, nor does repeal appear to be imminent. Although the City’s premium levels are currently well below the Cadillac Tax thresholds, it is projected that the majority of plans will be subject to the tax within ten years of it taking effect. The City currently has good contractual language requiring its unions to discuss ways of reducing costs to avoid the tax in the event that the City receives notice that it will be subject to the tax. Under that language, if the parties do not reach agreement on changes that would eliminate the City’s exposure to the tax, the issue will be submitted to expedited arbitration. Until and unless the Cadillac Tax is repealed, the City should resist any union efforts to delete this contractual language.

Pensions

Pensions are another significant and critical part of the City’s employment costs. The Minimum Municipal Obligations (“MMOs”) for the City’s pension plans are significant and have been increasing in recent years. It is becoming more and more apparent that the traditional defined benefit pension plan is becoming increasingly unsustainable for local governments, but legislative reform to provide municipalities with the relief that they desperately need has been

slow to materialize. In the City's case, the Third Class City Code imposes certain requirements that make the City's approach for pension issues less flexible than it would otherwise be.

Pension changes have been a major objective of the City's collective bargaining strategy. A key recent pension development was an agreement between the City and the IBEW Local 459 to provide new hires with the minimum level of pension benefits permitted by the Third Class City Code. This will make the IBEW pension plan considerably more sustainable going forward than it would be otherwise.

The Firefighters' pension plan has generated significant costs and even litigation over the years. In the past, the Auditor General found that the Firefighters' plan was not compliant with the Third Class City Code in several respects. Some benefits were in excess of those permitted by the code while other benefits fell below what the code requires. This inconsistency with the Third Class City Code developed because Warren was previously a borough and so was governed by different pension requirements than it is now as a third class city. A firefighter sued over the Plan's non-compliance with the Code, resulting in a Commonwealth Court decision in 2008 that confirmed that making modifications to the Plan to bring it into compliance with the Code is a subject that must be collectively bargained between the City and the Union. Over time the Plan has been amended to eliminate provisions that provided benefits in excess of those permitted by the Code and to enhance benefits that fell below what the Code requires. The last major aspect of the Plan that is not in compliance with the Code is the retirement age. The Plan's current minimum retirement age is 55. The Code contains language that the Auditor General has interpreted to provide that although a minimum retirement age is an optional plan feature, if a minimum retirement age is set, it should be 50. In the latest round of bargaining and Act 111 interest arbitration, the Union is seeking to lower the retirement age to age 50, which would increase the City's MMO for the Plan by \$107,500 annually. Conversely, with respect to benefits received by new hires there are only a few remaining Plan provisions that provide benefits beyond the minimum required by the Code. The City has proposed eliminating the optional vesting benefit and reducing the service increment from \$250 to \$100 for new hires, and those proposals are currently pending in Act 111 interest arbitration. Of those two changes, reducing the service increment is projected to have the more significant impact on the Plan if it is

implemented, but the savings would be slight in comparison to the cost of lowering the retirement age.

The Police Pension Plan contains several provisions that go beyond the minimum required by the Third Class City Code. For example, police officers are permitted to retire with 20 years of service as a full-time non-probationary officer without any minimum retirement age. The Code permits the imposition of an age 50 retirement age. The Plan also permits vesting at 12 years of service, which is an optional benefit under the Code that permits employees who leave before qualifying for a full retirement benefit to receive a partial, pro-rated benefit on the date they would have met the requirements for a full-retirement benefit had they remained employed with the City. The service increment benefit is set at \$500 per month, while the Code permits it to be as low as \$100 per month. The Plan permits officers who leave employment before becoming entitled to a pension to receive a return of contribution with interest, which is not consistent with the Code, which indicates that such refunds should be paid without interest. Although there are legal restrictions on amending pension benefits for current employees, collectively bargaining for changes that would make the Plan more sustainable with respect to new hires should continue to be pursued. Potential changes include basing the pension benefit calculation strictly on base wages rather than W-2 earnings; eliminating the Cost of Living Adjustment (“COLA”); eliminating lump sum payments, such as payments for unused sick leave, from the pension benefit calculation; and re-implementing 50 as the retirement age. All of these changes should be sought to make the Police Pension Plan more sustainable. In addition, the Police Collective Bargaining Agreement should be amended to require that pension contributions will be maintained at the highest level permitted by law, as opposed to the approximately 2% of wages contribution that officers currently pay.

In recent audits of the Police Pension Plan, the Auditor General maintained that the Plan should be amended to add a killed in service benefit. However, that issue is a matter of dispute based on differing interpretations of the Third Class City Code and Act 51 of 2009, under which the provision of a killed in service benefit was assumed by the Commonwealth. The Auditor General has taken the position that Act 51 does not apply to third class cities. To date, the courts have not held that third class cities are required to provide killed in service benefits in the wake

of Act 51 of 2009. It is our understanding that the Commonwealth has paid killed in service benefits relating to an officer employed by another third class city.

Other Post-Retirement Benefits (OPEB)

The City incurred considerable costs for post-retirement health care in the past. The City has since eliminated post-retirement health care for new hires and many of the retirees who were eligible to receive benefits have reached the end of their eligibility. The City should guard against any attempt to reinstate post-retirement health care benefits. The City incurs considerable costs with respect to payments for unused sick leave at the time of retirement, either in the form of lump sum payments or in the case of allowing firefighter employees to use their remaining sick days immediately prior to the employee's retirement date. In the next round of collective bargaining, the City should seek to eliminate these costly options, at least with respect to new hires.

Other Collective Bargaining Issues

The City for some time has pursued a two-tier approach in collective bargaining, and it should continue to do so. A two-tier wage system was implemented for firefighters in 1996. The system was effective in controlling wage costs at a time when a growing level of resources were being directed to support costly pension plan changes designed to bring the Firefighters' Plan into compliance with the Third Class City Code. The employees in the original first tier have all since retired or resigned. Ideally, benefits could be reduced across the board. While that can be fairly easy to accomplish with non-union represented employees, it can prove a challenge with union-represented employees. Employers generally have seen more success in implementing changes that only impact new hires. Although they are not atypical, the City's wages and paid leave amounts are at very generous levels. In the future, the City should attempt to make these benefits more sustainable by seeking reductions in the level of wages and benefits for new hires, setting them at more maintainable levels.

Regionalization

Particularly in light of the City's population decline over the past several decades, it is advisable to explore possibilities for regionalization of services. Because the City is by far the largest community in the immediate vicinity, it would likely provide the bulk of the resources to any regionalization effort. There are occasions now where City firefighters respond to fires or medical emergencies in nearby communities under the City's current mutual aid arrangements with other municipalities. Similarly, the police department at times provides back up on calls in other municipalities. Currently the City receives no funding for the activities it supports in other communities. Regionalization of police, fire and emergency medical services could be a potential way to recoup some of the costs of providing services outside of the City, which are currently unreimbursed with the exception of billable emergency medical services. Issues relating to regionalization can impact bargaining with the affected unions, but union employees often welcome regionalization due to the potential for increased career and training opportunities that come with a larger department. It should be noted that regionalization is sometimes considered but not implemented because it would actually increase costs, so the City should very carefully explore and consider the potential costs of any regionalization of services.

Civil Service Issues

It is advisable for the City to establish a Civil Service Commission and adopt a set of Civil Service Rules and Regulations that are consistent with the Third Class City Code requirements. Despite its home rule status, the City of Warren is subject to the statutory civil service requirements applicable to third class cities. The Home Rule Charter and Optional Plan Law provides that a home rule municipality shall not "[e]nact any provision inconsistent with any statute heretofore enacted prior to April 13, 1972, affecting the rights, benefits or working conditions of any employee of the political subdivision of this Commonwealth." 53 Pa.C.S.A. § 2962(c)(5). The courts have consistently interpreted this provision to require home rule communities to comply with statutory civil service requirements.

In the past there were two separate statutory sections that set forth the civil service requirements for third class city police officers (and certain other designated non-uniform employees) and third class city firefighters. Amendments to Pennsylvania's Third Class City

Code's civil service provisions that took effect on May 18, 2014 significantly streamlined the third class city civil service procedures. The 2014 amendments expanded the coverage of the Code's police civil service provisions to encompass firefighters as well. Accordingly, only one set of Civil Service Rules and Regulations will be needed. At the same time, civil service coverage for non-police and non-fire employees who were not hired through the civil service process was eliminated.

The City's Personnel Code outlines a procedure for hiring and appealing disciplinary decisions that in some ways mirrors the applicable civil service requirements. However, there are critical differences between the Personnel Code and the Third Class City Code provisions. Police officers and firefighters must be hired in compliance with the Code and must pass all required examinations. Under the Code, a Civil Service Commission is to be established with three members who are residents of the city and registered voters. A Civil Service Commission member or alternate may not also be a "city officer, official or employee." The Civil Service Commission must adopt rules and regulations, subject to approval by Council, addressing certain specific matters outlined in the Code, including matters relating to minutes of proceedings; rules of procedure; records of examinations; an annual report to Council; notice of rules and regulations and any amendments or repeals to rules and regulations; application forms; provisions concerning the duties of the chairperson and secretary; appointment of examiners; and other administrative matters. The Code also sets forth a specific procedure for appeals, which are generally to City Council unless Council has designated the Civil Service Commission by ordinance to hear appeals.

The Personnel Code of the City of Warren was enacted in 1978 and amended in 1988. The Third Class City Code's specific provisions regarding examinations, appointments, promotions, disciplinary action and related matters are not entirely reflected in the Personnel Code. Although the Personnel Code provides for employment and promotion based on merit, and even refers to examinations of applicants, it is insufficient to meet the statutory civil service requirements for several reasons. Most importantly, under the Personnel Code the hiring process is overseen by a Personnel Commission composed of three members of City Council. This is inconsistent with the requirement that Civil Service Commission members may not be City officers, officials or employees. In addition, under the Personnel Code covered employees may

file a grievance, but that process culminates in “advisory review” by the Personnel Commission and a report to the Manager, rather than following the statutory appeals procedures that applies to police and fire employees or rejected applicants. The Personnel Code also lacks details regarding the testing and appointment procedures that are set forth in the statute and/or typically found in civil service rules. It also does not reflect recent legislative changes regarding post-offer physical and psychological examinations and the incorporation of the Americans with Disabilities Act “interactive process” that must be followed with disabled applicants who are found to be unable to perform the essential functions of the job without being provided accommodations.

Because the Personnel Code does not track the statutory civil service requirements, it would be advisable for the City to establish a Civil Service Commission with three regular members and three alternates, all of whom are not City employees, officials or officers, to oversee the police and firefighter hiring process. Members of the Commission should be city residents who will work well with other members and can be depended upon to act in compliance with the law and in the City’s best interests. The City Council will have the option of hearing civil service appeals or designating the Civil Service Commission by ordinance to hear appeals. Civil Service Rules and Regulations that comply with the statutory requirements should also be adopted by the Commission and approved by Council.

Employment Policies and Job Descriptions

Another vital area relating to employment is maintaining employment policies that are regularly reviewed and updated to incorporate changes in the law. The City has a number of critical policies, including a sexual harassment policy and Family and Medical Leave Act policy, in place. Because the last comprehensive review of the City personnel policies took place a number of years ago, the City intends to review and update its policies in the near future and provide training to employees and supervisors where appropriate. It would be highly advisable to do so. Updating its employment policies, ensuring that policies are distributed to all affected employees and conducting and relating training are critical steps that will help the City stay in compliance with employment laws and provide it with stronger defenses from liability.

In addition, job descriptions for each position should be reviewed and updated and revised, as necessary, at least every two years. It is important that all job descriptions are

accurate for many reasons, including aiding in the handling of the accommodations process under the American with Disabilities Act and bolstering defenses against liability. Likewise, using the same time frame, the City should review each job description to ensure that each position's classification as Fair Labor Standards Act ("FLSA") exempt or non-exempt position is accurate and that the employee is being compensated correctly under the FLSA.

Overtime Issues

The Fair Labor Standards Act requires employers to make overtime payments in weeks where a non-exempt employee works 40 or more hours. It does not require overtime pay for working more than 8 hours in a day. In addition, the FLSA regulations permit employers to adopt higher overtime thresholds based on a designated work period ranging between seven and 28 days. For example police officers can work up to 43 hours in a week or up to 171 hours in a 28 day work period without earning overtime pay. Likewise, the regulations permit firefighters to work up to 53 hours in a week or 212 hours in a 28 day work period at the non-overtime rate. Adoption of these higher overtime thresholds is a mandatory subject of bargaining. The City's Firefighters currently work under the higher overtime threshold permitted by the regulations. However, the police currently receive overtime if they work over 40 hours in a week and even if they work over 8 hours in a day. Public Works employees receive overtime pay if they work more than 8 hours in a day, which is not required by the FLSA. In future collective bargaining the City should seek to eliminate daily overtime and to implement the higher law enforcement overtime threshold for the police.

Part-time Employees

Part-time employees can provide a considerable amount of scheduling flexibility and can help to reduce overtime costs, particularly in 24/7 operations like police and fire departments. Attraction and retention of qualified part-time employees can be a complicating factor. The Police Department does not currently use part-time officers. The Fire Department makes extensive use of part-time “utility firefighters” but its ability to make full use of them is limited by a provision that requires the City to maintain a force of 17 full-time firefighters. Although the courts have held that minimum shift sizes are subject to bargaining, they have also repeatedly held that minimum force size is a matter of managerial prerogative. Accordingly, the City should seek to eliminate the 17 firefighter minimum force size requirement if it remains in place after the current round of Act 111 interest arbitration. The City should maintain flexibility to determine its staffing needs based upon the circumstances and finances and the need to reduce overtime costs.

CHAPTER 6 PARKING SYSTEM REVIEW

Introduction

The City of Warren, Pennsylvania (the “City”) owns and operates a parking system comprised of approximately 220 on-street parking meters, two surface parking lots and one parking garage. The Midtown surface lot has approximately 184 spaces, while the Hickory Street Armory surface lot has approximately 19 off-street parking spaces. The Clark Street Garage has approximately 26 spaces available for transient parkers and 500 monthly permit spaces for employees of local businesses.

Adequacy of On-Street Parking

The City has not undertaken a demand study with respect to current parking capacity and needs. A demand study would entail, among other things, counting unoccupied parking spaces during peak and off-peak periods to ascertain whether there is adequate turnover for merchants and/or whether drivers are circling around searching for a parking space, causing congestion and potential safety issues. An industry standard would be to have approximately 10% to 15% of on-street spaces available at all times for convenient and efficient parking. Through conversations with the City Manager, Police Chief, and Department of Public Works Supervisor, anecdotal evidence suggests that the on-street availability may be stressed at times, that there are frequently drivers circling around looking for spaces, and that additional parking may be needed. If the supply is insufficient for the on street demand, solutions to consider include: reviewing the parking rate structure with the goal of moving some on-street parkers into the garage or the lots, moving some of the permit holders off-street, and/or adding spaces to the inventory in areas that are convenient to parkers.

Adequacy of Off-Street Parking

While the City has not undertaken a parking demand study, the City has good knowledge on usage of the garage and the lots based on monthly permits and the lot’s pay-by-license plate kiosks. Construction defects related to the Clark Street Garage appear to be the most pressing problem. Because of the defects, the entire top floor of the Clark Street Garage becomes unusable during the winter season. In addition, many spaces are closed and in need of repairs due

to leaking ceilings. This garage is of critical importance to the City's parking inventory. According to City officials, this garage has been studied by multiple engineers for the past several years. None have come up with an adequate solution. The garage is also nearing the end of its useful life, and there is no replacement plan in place. It is very important that the City begin to take steps now to replace this garage or a parking crisis could ensue.

The financial impact of a reduced number of spaces at the Clark Street Garage, coupled with borrowing necessary to fix the Clark Street Garage, is outlined below under Overall Financial Condition of the Parking System.

Questions regarding the Clark Street Garage include what, if anything, can be done to maintain the garage so it can continue to accommodate at least the current level of parkers; what is the replacement plan for the garage; and how will the City pay for replacement in light of the parking system's rate structure and operating shortfalls? This final issue comes into stark focus within the context of the overall financial operations of the parking system.

Adequacy of Rates and Charges

As mentioned previously, a parking demand study has not been conducted. A comparative rate study would also be valuable to the City.¹ Parkers will generally think they are already charged too much for monthly and on-street parking. However if the service costs more than they are paying, the City should strongly consider updating and right sizing rates taking into account rates in comparable cities, rate differentials between on-street and off-street parking, budgetary needs and impact on central business district businesses. The latter will be a countervailing force, and while it should be kept in mind, a "parking subsidy" might not be the most cost effective way to support businesses. Additional revenue in the general fund could be used for economic development efforts that would be a more cost effective way to accomplish the same end goals.

¹ Cities can do a rate study themselves or retain the services of a parking consultant. In 2015-16 third class city Hazelton, compared its parking rates to Wilkes Barre, among others. Their finding after their review of other third-class cities in Northeastern PA was that their rates were low. This led to an increase beginning last year, in on-street rates from \$.50 per hour to \$1.00 per hour and increases in monthly permit rates from \$37.80 per month to \$40 per month; \$33.40 per month to \$40 per month; \$44.30 per month to \$50 per month and for reserved spaces in the most convenient lot - \$55.60 to \$61 per month.

Overall Financial Condition of the Parking System

In many municipalities in the Commonwealth and throughout the country, parking systems provide a meaningful subsidy to the General Fund. Often, a fair amount of parkers are non-residents, and the parking revenues are used to defray some of the expenses that these non-residents cost the municipality. A local service tax and earned income tax for non-residents is designed to fit this purpose, but often the sum of these two non-resident taxes is insufficient. In some jurisdictions, a parking tax has been imposed as a percentage of the parking rate. These parking taxes can be used by the General Fund, along with any surplus amounts, to pay for essential government services, reducing stress on General Fund taxes and fees.

The current rate structure in the City is inadequate to support all costs associated with the parking system. This imbalance is compounded by the costly problems associated with the Clark Street Garage. As a result of this imbalance, Warren has been using its General Fund to subsidize Parking Fund costs including debt service, operating costs and overhead. In the absence of significant revenue increases, this situation will only get worse. The sooner the City begins to address this imbalance, the easier it will be and the better it will be for General Fund and Parking Fund financial operations.

Related Debt Service

Parking system debt is mostly the result of funding repairs to the Clark Street Garage. A \$900,000 parking revenue fund note was issued in 2006 (the “2006 Note”) and a \$1.1 million note was issued in 2010 (the “2010 Note”). Due to the lack of adequate revenues in the parking system, the General Fund made payments on the 2010 Note from 2010 through 2017. This amount is now owed by the Parking Fund to the General Fund. Since the 2006 note was paid off in January 2017, the parking fund has been paying debt service on the 2010 Note. In addition, there is a capital lease for parking equipment in the aggregate principal amount of \$375,000 with annual principal and interest payments of approximately \$51,300. The lease matures by its terms in November 2019. Current debt service associated with the parking system is set forth below.

Table 6-1
 WARREN CITY
Parking System Debt
 2018 to 2021

	Equipment Lease	2010 Notes	Total
2018	\$51,320	\$102,951	\$154,271
2019	47,043	102,951	149,994
2020		102,951	102,951
2021		\$102,951	\$102,951

The Parking Fund is expected to pay all debt service on parking-related debt in 2018 and come closer to breaking even from an operations standpoint this year, according to City officials. While this is a step in the right direction, more work needs to be done. For example, it does not appear that the parking system has a five-year capital improvement plan, a capital reserve or a plan of finance for system capital and maintenance needs. Moreover, the sooner the City begins to address the looming need to demolish and rebuild the Clark Street Garage, the less painful such measures will be.

Capital Improvement Plan and Capital Reserve.

Best practices for a parking system are to maintain a multi-year (three to five years) capital improvement plan or “CIP.” In order to continue generating revenues at the current level, the lots, garages and spaces must be in working condition. If a meter breaks down and spare parts have not been purchased, revenue is lost. As can be seen in the Clark Street Garage, if spaces are not useable, they cannot be made available for permit parkers.

The discipline of creating a capital plan, prioritizing needs and then developing a funding plan would serve the City well as it sets out to meet the current challenges. As to a funding plan, the first step may be to generate surplus funds from operations and place those funds in reserve for capital improvements. There are various metrics but having on hand the amount necessary to pay current years’ expenses and a significant portion (50% to 75%) of the next operating years’ expenses would be a good starting point.

In many systems, the rates are set so that revenues are sufficient to pay 100% of operations, and the net revenues are 120% to 125% of the outstanding debt service relating to parking. This would generate a cushion for the City to ensure that all parking operating costs and debt service are paid without reliance on the General Fund, and would generate an amount equal

to approximately 20% to 25% of annual debt service for deposit into a capital reserve. Using the current debt service associated with the parking system, this would require depositing \$31,000 to \$38,000 per year into the capital reserve fund. A long-term plan of finance for the capital needs of the system could include: i. pay-as-you-go funding, ii. funding using a portion of the capital reserve, and iii. periodic borrowing.

Operating Costs including Routine Maintenance

Meter enforcement and collections are performed by two, part-time Meter Enforcement Officers (“MEOs”). In light of the number of meters that need to be patrolled, the fact that only one person is on duty at any given time, and that the person is also responsible for emptying the coins from the meters, it is likely that meter revenues are not as high as they could be. Adding personnel or converting to a system (in whole or in part) with on-street pay stations that take credit cards and mobile application payments could ease the need for additional hiring. While there is some resistance to pay stations that require input of license plate information, fewer personnel can do more with a car and a license plate recognition device. When replacement of some or all of the meters is next considered, the City should revisit the decision to install traditional meters. As meters need more repair and spare parts, there may be an opportunity to slowly introduce pay stations on at least a few of blocks and use the working parts of the uninstalled meters for the remaining meters.

There is a full-time clerk for parking permits and other needs, and a portion of the salaries for Police Chief and Public Works Director is charged to the Parking Fund. Finally, when Public Works’ employees are called to undertake maintenance of the parking system, there are certain charge backs to the Parking Fund. The cost of supplies and equipment is charged to the Parking Fund under -6310 but only appears to be \$6,900 in 2016. A review of the amounts paid by the Parking Fund indicates there are probably more overhead costs that could be charged to the Parking Fund. An overhead allocation study could provide further guidance to the City on the appropriate amount of senior staff time (Finance Director, City Manager, Public Works Director, Police Chief, etc.) to charge to the Parking Fund. This could help the City assess the true cost of providing parking.

Summary of Profits and Losses in Parking Fund

Below are Parking Fund profits and losses. Since the General Fund paid a significant portion of parking debt service prior to 2018², the annual deficits are likely worse than the amount indicated in the table.

Table 6-2
WARREN CITY
Parking System Revenues, Expenditures and Deficit
2014 to 2018

	2014	2015	2016	2017	2018*
	Actual	Actual	Actual	Actual	Budget
Revenues	322,607	409,824	425,296	438,322	371,840
Expenditures	<u>533,454</u>	<u>601,242</u>	<u>515,234</u>	<u>567,926</u>	<u>552,552</u>
Deficit Prior to Debt Service	-210,847	-191,419	-89,938	-129,605	-180,712

*The 2018 Parking Fund Budget appears to include the 2010 Note and Capital Lease as an expenditure; however, it seems that budgeted Parking revenues will not satisfy expenditures.

A pro forma of debt service was developed for an assumed 25-year borrowing that would generate \$10 million to demolish and rebuild the Clark Street Garage. The pro-forma assumes: i. a 5.0% couponing structure, ii. three years of capitalized interest, and iii. rates at approximately 160 basis points over current municipal market daily index (the Base Assumptions). No one can predict future interest rates and it is unknown when the borrowing would occur. *As a result, the figures below should only be used to understand the order of magnitude for a \$10 million project using the Base Assumptions.*

Annual debt service could be wrapped around existing debt service, meaning that the City could capitalize interest until after the equipment lease and 2010 Note are paid off. At a sizing intended to fully fund a \$10 million building project, utilizing the Base Assumptions, the average annual debt service would be approximately \$880,000 per year. A reduction in the need for proceeds by \$1 million (project scope could be reduced by City, City could contribute “equity” from a reserve and/or otherwise generate other available amounts, reduce the amount of capitalized interest, find grants or private partnership, etc.), the aggregate annual debt service would go down to approximately \$795,000. A bond issue sized to generate \$2 million less in proceeds (i.e. \$8 million) would require approximately \$710,000 per year on average. On the

² The General Fund has paid \$669,185 to date for parking debt, according to the City. There are no plans at this time for the Parking Fund to reimburse the General Fund as the Parking Fund does not currently have the resources to make the reimbursements.

other hand, a 50 basis point interest rate increase across the board would increase the \$10 million project cost by approximately \$35,000 per year.

As can be seen, the revenue needs of the parking system are significant. The following are some of the possibilities for increasing revenues:

- Increase Permit Fees — every \$5.00 increase in permit fees would likely grow revenues by approximately \$31,000 per year, assuming increases to both resident and non-resident fees, and assuming approximately 516 permits are issued each year. Consider an additional up-charge for reserved spots with proximity to exits and the first floor.
- Increase Permit Parking Capacity — assuming that the new garage is rebuilt and the top floor can be made available for permit parkers, and further assuming that the demand exists to fill such spaces, 120 additional spaces at \$36 per month could yield approximately \$51,840 per year. Raising the permit parking rate higher would increase the value of this initiative.
- Increase Parking Meter Rates from 50 cents to \$1.00 Per Hour — assuming that this pricing does not result in inelasticity, and approximately the same number of meter hours are paid for, this increase could yield approximately \$110,000 more per year.
- Increase Number of Parking Meters Along 4th Street — value depends on the number of new spaces, utilization and rates.
- Improve fine collections — with additional MEO's or an investment in on-street pay stations and license plate technology, fine collections would likely improve. Meter collections might also improve. Consider revenue sharing as a means of purchasing pay stations or additional meters with little or no upfront cost.

Recommendations

- Consider soliciting ideas, qualifications and proposals (RFQ/RFP) that would include options for the Clark Street Garage from an engineering standpoint including: feasible short term capital improvements that could delay the need to demolish and rebuild the garage, alternative locations to build a new garage, and alternative financing proposals such as private funding and turnkey construction.

- Extending the useful life of the garage, along with identifying alternative properties and funding, might allow parkers to remain in the Clark Street facility while the new garage is built.
- The City could seek proposals from teams of commercial real estate brokers, developers and parking syndicates. In addition, there are for profit and not for profit developers that might be able to acquire property, design, finance, construct and operate a new garage in a manner that shields the City from some risk.
- Analyze whether segregating the new garage from the system would be more sustainable for the parking enterprise and the City.
- Solicit a parking demand and rate study from a national parking consultant.
- Consider obtaining a parking financial feasibility study from one of the national parking consultants with respect to the Clark Street Garage and entire system.

CHAPTER 7 PUBLIC WORKS REVIEW

Personnel

The City of Warren Department of Public Works (“Public Works” or “DPW”) is staffed by 13 positions: a Public Works Director, an assistant to the director, a Public Works Superintendent, one Equipment Operator Class 1, three Equipment Operators Class 2, one Mechanic, one Traffic Mechanic and four Sewer System Operators.

The Public Works Director provides oversight of DPW and wastewater treatment operations and manages budgeting and procurement for these functions. The assistant to the director conducts clerical and customer service work for the Department. Responsibilities include processing permits for street openings, preparing tree cutting and tree trimming notifications, fielding phone calls from the public, and assisting the City’s engineering firm with the maintenance of City digital mapping data.

The Superintendent provides supervision of the unionized DPW workforce, coordinates daily responsibilities and assignments, conducts field reviews of services requests fielded by the department as needed and reviews employee timesheets. The Superintendent is a certified playground inspector and a certified arborist.

Both Equipment Operator classes are responsible for maintenance and repair of City streets, parks, playgrounds, sidewalks, parking lots and other public facilities; the operation of City equipment; cleaning storm basins, erecting signage; executing department programs such as spring cleaning, leaf collection and floodway maintenance; and assisting the City mechanics with the maintenance and repairs of City equipment when deemed necessary. Class 1 Equipment Operators must be able to operate all City equipment, including “specialized equipment defined as street sweepers, paving rollers, backhoe and other heavy maintenance and construction equipment” according to the collective bargaining agreement between the City and the International Brotherhood of Electrical Workers (“IBEW”), Local Union No. 459.

The Mechanic provides repairs and maintenance to city vehicles and equipment, excluding inspections of police and fire vehicles. The Mechanic also services the City pool, primarily through chemical balancing and servicing pump equipment. The Mechanic position is required to be qualified per the Commonwealth’s Motor Vehicle Code, providing in-house inspections and certificate for equipment serviced. The Traffic Mechanic position is responsible

for maintenance, repair and installation of all City parking meters, traffic signals, signs and related accessories and general electrical work for the City (in addition to the duties prescribed to Equipment Operators).

The City also employs several part-time staff seasonally to assist with pool maintenance, the wastewater team’s conveyance system cleaning program, and other duties as assigned. In addition, the City performs cross-training between these positions to bolster overall department performance.

Street Maintenance

The DPW maintains approximately 37 miles of streets, 34.94 miles of which receive funding from the Pennsylvania Department of Transportation (PennDOT) Liquid Fuels Fund. Street maintenance performed by Warren DPW includes patching, sealing, line painting, traffic control signal and sign maintenance. The DPW also provides curb and sidewalk maintenance for City-owned properties. Maintenance for sidewalks is otherwise the responsibility of the property owner per City ordinance. Street paving within the City is typically performed by outside contractors. (See Table 7-1.)

Table 7-1
WARREN CITY
Liquid Fuels Funding
2012 to 2028

2012	2013	2014	2015	2016	2017	2018
\$203,237	\$198,426	\$213,680	\$235,753	\$277,112	\$287,053	\$304,041

In addition to the figures above, the City has received \$7,000 annually through PennDOT Road Turnback funding, supplementing 1.75 miles of previous state road inventory transfer to local control per Act 32 of 1983.

Fiscal Year 2013 was the last year that the City used Liquid Fuels allocations for non-road maintenance purposes. Since then, the City has transferred its Liquid Fuels monies to the City’s Capital Improvement Fund in the amounts shown below. Paving that was planned for 2017 by IA Construction was delayed into 2018 at the contractor’s request; City staff was able to negotiate a savings on materials by delaying the project. (See Table 7-2.)

Table 7-2
 WARREN CITY
Liquid Fuels Expenditures
 2013 to 2017

Expense Category	2013	2014	2015	2016	2017
Winter Maintenance Services	\$132,079				
Traffic Control Devices	1,597				
Street Lighting	74,846				
Road and Bridge Maintenance/Repair	14,498	221,895	235,753	277,112	
Miscellaneous					(307)
Total	\$223,020	\$221,895	\$235,753	\$277,112	(307)

In addition to street paving, the City provides winter weather maintenance (salt application and snow plowing) to City roads when conditions warrant. DPW maintains a call-out list that is used to staff the department through the Collective Bargaining Agreement’s overtime and callout procedure when conditions warrant. Snowplowing includes all state roads within City limits per a winter maintenance contract with PennDOT. (See Table 7-3.)

Table 7-3
 WARREN CITY
Winter Maintenance Revenue from PennDOT
 2012 to 2018

2012	2013	2014	2015	2016	2017	2018
\$24,084	\$25,637	\$26,921	\$46,984	\$44,279	\$54,389	\$45,568

Park and Pool Maintenance

DPW is responsible for maintaining City park and playground infrastructure. The City’s public park inventory includes:

- Betts Memorial Park, a 20-acre plot with baseball and softball fields, restroom facilities, pavilions and other amenities along the Allegheny River;
- Beaty Park, a six-acre park with a pavilion, tennis and basketball courts, restrooms, a skate park and playground equipment;
- Crescent Park, a plot of land that includes a World War II monument, a pavilion, basketball court, restrooms, playground equipment and riverside picnic tables;
- Lacy Park, a former elementary school playground plot with playground equipment, restrooms, basketball, bocce ball, and baseball amenities; and
- Multiple “passive parks” that range from five acres to less than one acre.

Typical park maintenance includes grass cutting, playground equipment maintenance and inspection, cleaning of public restrooms and other park facilities (e.g. pavilions) and, in the case of Betts Memorial Park, plowing the driveway and parking area during winter weather events.

The City owns and operates the Municipal Pool, a public facility that also includes pavilions and ADA-accessible restrooms. As noted earlier, DPW is tasked with maintaining this facility by cleaning restrooms and keeping pool equipment safe and operational. The DPW Mechanic provides pump maintenance and handles pool chemical application. The local YMCA manages and cleans the pool, providing lifeguards and opening the facility daily to the public.

Municipal pool revenues (described in detail below) have only covered between 27 percent and 40 percent of associated expenditures between 2013 and 2017, causing the Municipal Pool to add a net cost to the General Fund of between approximately \$70,000 and \$104,000 annually.

Table 7-4
 WARREN CITY
Municipal Pool Revenues and Expenditures
 2013 to 2017

Account Category	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
Revenues					
Pool Concession Revenue	\$7,460	\$6,026	\$7,870	\$8,381	\$4,096
Swimming Pool Fees	\$33,054	\$36,729	\$38,773	\$37,685	\$34,536
Revenue Total	\$40,514	\$42,754	\$46,643	\$46,066	\$38,632
Expenditures					
Services	\$15,726	\$41,655	\$42,993	\$40,950	\$67,391
Personnel	\$73,785	\$33,896	\$31,402	\$38,075	\$40,105
Utilities	\$11,918	\$13,954	\$13,831	\$13,427	\$12,856
Supplies	\$16,268	\$12,547	\$16,401	\$16,947	\$9,341
Contracted Labor	\$6,782	\$6,370	\$6,291	\$4,808	\$7,646
Capital and Minor Equipment	\$9,225	\$5,313	\$1,683	\$10,524	\$3,425
Repair & Maintenance	\$4,116	\$1,964	\$4,079	\$1,675	\$1,267
Other	\$283	\$951	\$454	\$350	\$981
Expenditure Total	\$138,104	\$116,649	\$117,134	\$126,756	\$143,013
Net Cost	-\$97,590	-\$73,895	-\$70,491	-\$80,690	-\$104,381

Services, which include management by the local YMCA and bacteria testing and lawn mowing services, are a significant cost driver for the pool, with the 2017 rise in services largely caused by payments for pool painting and facility rehabilitation for the pool house’s roof and

chimney. Service expenditures along with personnel (City Recreation and Public Work staff), electric and water utilities, and supplies (e.g. chemicals) comprise between 85 and 90 percent of Municipal Pool expenses annually.

Revenue collected at the Municipal Pool is generated through usage fees (seasonal passes, punch cards and single admissions), private party rentals (charged by the hour with rates dependent upon expected number of attendees) and pavilion rentals during regular hours. Membership fees are charged with a rate structure based on residency, date of purchase and, in the case of family passes, the total number of members allowed as shown below. (See Table 7-5.)

Table 7-5
WARREN CITY
Municipal Pool Annual Pass Fee Structure
2018

Group	Type	Detail	Early Purchase (pre-6/1)	Regular Price (6/1 - 7/16)	Mid-Season (After 7/16)
Resident	Family	0-4 Members	\$95	\$105	\$52
Resident	Family	5-6 Members	\$105	\$115	\$57
Resident	Family	Each additional member	\$18	\$20	\$10
Resident	Individual	Under 55	\$80	\$90	\$45
Resident	Individual	55 or older	\$55	\$65	\$32
Non-Resident	Family	0-4 Members	\$105	\$115	\$57
Non-Resident	Family	5-6 Members	\$115	\$125	\$62
Non-Resident	Family	Each additional member	\$18	\$20	\$10
Non-Resident	Individual	Under 55	\$85	\$95	\$47
Non-Resident	Individual	55 or older	\$65	\$75	\$37
Resident	Nanny Pass	Must be purchased with Family Pass	\$20	\$20	\$20
Non-Resident	Nanny Pass	Must be purchased with Family Pass	\$25	\$25	\$25
---	Non-Profit Group Pass	Minimum fee (up to 10 people)	\$120	\$120	\$120
---	Non-Profit Group Pass	Each additional person	\$15	\$20	\$10

Figures for the number of 2016 and 2017 pool membership passes were aggregated below. (See Table 7-6.)

Table 7-6
WARREN CITY
Annual Pool Pass Sales
2016 to 2017

Pass Type	2016	2017
Resident Family	66	71
Resident Nanny Passes	5	12
Resident Individual	4	3
Non-Resident Family	31	31
Non-Resident Nanny Passes	2	4
Non-Resident Individual	2	1
Non-Profit Group (up to 10 people)	4	4
Non-Profit Additional Persons	63	58
Total	177	184

The sale of these passes accounted for approximately \$11,500 annually in 2016 and 2017. Daily passes (or single admission fares) also comprise a significant portion of Municipal Pool revenues; 7,068 and 5,418 daily passes were sold in 2016 and 2017, respectively. Even with this 23 percent reduction in daily passes, 2017 single admission revenue generated approximately \$13,000. The rate structure for single admissions is shown below. Reduced rates for swimmers — approximately half of the daily rate — are available starting at 6 p.m. (See Table 7-7.)

Table 7-7
WARREN CITY
Daily Pool Pass Rates
2016 to 2017

	Resident	Non-Resident	Resident	Non-Resident
Adult	\$5.00	\$5.50	\$2.50	\$3.00
Student	\$3.00	\$4.00	\$1.25	\$2.00
Child (6 & Under)	\$1.50	\$1.75	\$0.75	\$1.00
55 and older	\$4.00	\$4.50	\$2.00	\$2.50
Non-Swimmers	\$1.00	\$1.50	\$1.00	\$1.50

The remaining revenue is largely comprised of private pool party rentals and pavilion rentals, which generated a combined \$4,990 and \$4,189 in 2016 and 2017, respectively. Concessions fees are generated by two vending machines that provide cold beverages and snacks to patrons. Additionally, City staff noted that lifeguards will sell ice cream during downtime.

Public Works Equipment List

TAG #	DESCRIPTION	SERIAL	MODEL	PLATE #
1	2004 Ford F250 4x4 Pickup	1FTNX21S94EC78935		MG-40455
2	2008 Ford F350 4x4 Dump Truck	1FDWX37578EE05579		MG-2662E
3	2008 Ford F350 4x4 Dump Truck	1FDWF375538EE12404		MG-2666E
4	1999 Ford F250 4x4 Pickup	1FTNF21S3XEE7294		MG-80177
5	2002 GMC Sierra Pickup Truck	2GTEC19V221376658		MG-99345
6	2002 GMC Sierra Pickup Truck	2GTEC19V521378159		MG-99309
7	2009 Ford F550 4x4 Dump Truck	1FDAF57Y19EA66645		MG-6436E
8	2016 Ford F550 Bucket Truck**	1FDUF5HY96EB97315	Signals/Trees	MG-4917J
9	2016 Chevy Colorado	1GCHTCEAXG1221459	Mike H.	MG-7885J
10	2015 Chevy Silverado 1/2 ton Pickup	1GCRCPEH0FZ197844	Vinnie	MG-7175H
13	2010 Chevy Cargo Van*	1GB3G2AG8A1164239	Sewer Camera	MG-80120
14	1999 Ford F450 Dump Truck	1FDXF47F2XEC85887		MG-4662D
15	2008 Sterling Vac-Con*	2FZAAWBS08AY09651	Sewer Truck (Vac)	MG-5270E
16	2016 Ford F-350 Utility Pickup	1FDRF3H666FB62479	Tim	
17	2007 Chevy 3500 4x4 Dump Truck	1GBJK34K97E570706		MG-7032G
18	2014 International Dump Truck (8 ton)	3HAWDAZR5FL658443		MG-7038H
19	2015 International Dump Truck (8 ton)	1HTWDAZR5EH766565		MG-6837H
20	2005 Case Loader/Backhoe*	N4C305757	Sewer/Streets 50/50	
21	2001 Ford F-150 Pickup	1FTRF17WX1NB97995		MG-95282
24	2011 Ford F250 4X4 Crew	1FT7W2B68BEA37376		MG-2071F
25	2013 Johnston VT650 Series Sweep	1FVACXDT2DHFF6412		MG-7000G
	2013 Dodge Grand Caravan	2CRDG0G4DR575601	Administration	MG-3025H
	2010 Ford Escape	1MCU9DG3AKA93000	Codes	MG-1365F
26	2010 John Deere 4WD Loader	1DW524KHCA0630364		
	1997 Sullair 185 Air Compressor			
	1995 Case Uni-Loader*	JAFO142494	Sewer/Streets 50/50	
	2018 BOMAG Roller	101462032274	BW100ADM5	
	2012 Vermeer BC 1800XL Wood Chipper			
	John Deere 1070			
	Massey Ferguson 4355	ABED14ABXA/41062	Front bucket/Boom mower	
	2010 Tennant 530 Diesel Sweeper			
	Used for Sewer Work *			
	Used for Traffic Work**			eff 4/28/17

Wastewater and Storm Water Conveyance and Treatment

Warren DPW operates a Wastewater Treatment facility along the southern shore of the Allegheny River. Significant capital improvements were completed at the facility in 2016 to increase capacity and improve operational efficiencies. The capital improvements were funded by a \$21.5 million dollar loan and a \$4.5 million grant from the Pennsylvania Infrastructure Investment Authority (“PENNVEST”). Today, the facility has the capacity to treat up to 6.5 million gallons per day, and averages treatment of approximately 1.8 million gallons per day. This returned activated sludge facility includes a headworks building, a race track oxidation ditch, two tank clarifiers, a chlorine contact tank, digesters and a sludge press building.

The City updated its rate structure with the completion of the 2016 improvements through Resolution 2993. Monthly charges are based on the following rate structure:

- Metered rates (based on water meter readings) include a \$6.29 customer service fee and:
 - \$0.94 per 100 gallon for the first 6,700 gallons,
 - \$0.90 per 100 gallons for the next 20,000 gallons,
 - \$0.86 per 100 gallons for the next 26,700 gallons,
 - \$0.81 per 100 gallons for all usage above 53,400 gallons,
- Flat rates (properties that do not have meters) include a \$6.29 customer service fee and:
 - \$20.60 for 1 person,
 - \$41.15 for 2 persons,
 - \$53.25 for 3 or more persons,
- Commercial, industrial and other non-residential users are charged \$53.25 per billing units, with billing units assigned on a case-by-case basis.

The City’s wastewater system handles combined storm/sewer conveyance systems in neighboring Conewango, Glade, and Pleasant Townships. The City renewed its mutual agreements with these three municipalities at the completion of the updated wastewater treatment plant. The municipalities now contribute a combined \$6,964 each month (\$83,500 annually) for the capital improvements. (See Table 7-8.)

Table 7-8
 WARREN CITY
Mutual Agreement Cost Share Statistics
 2016 to 2017

Municipality	Reserve Capacity (GDP)		% of New Plant Use	Monthly Cost Share
	Gallons Per Day	% of Total Capacity		
Glade Township	304,500	4.7%	93.2%	\$3,028
Pleasant Township	300,000	4.6%	85.6%	\$2,722
Conewango Township	<u>126,000</u>	<u>1.9%</u>	94.2%	<u>\$1,214</u>
Total	730,500	11.2%		\$6,964

DPW staff also runs proactive control programs to clean the conveyance system through street sweeping, vactor cleaning, and seasonal leaf collection. Street sweeping, visual inspection, and vactor cleaning are regular processes that the Department strives to run daily from spring through autumn.

A leaf collection service for residents is executed every autumn: City residents rake their leaves curbside; the City vacuums the leaves into dump trucks; collected leaves are dropped off at a compost site. This program is run several times throughout the fall until the first significant snowfall, which usually allows DPW staff to collect three or four times citywide. Similarly, a spring cleanup is run once a year providing residents the chance to put out limbs, brush, and other yard waste for pickup and composting.

Other Services

City residents are responsible for procuring trash collection services individually. Per City code, firms collecting refuse from any City resident must first obtain a solid waste license from the Commonwealth. Recycling services are contracted by the City with Advanced Disposal, a private trash disposal, collection and recycling firm. The City provides residents with two bins for this service, one for comingled plastic, glass, aluminum and tin, the other for newspaper, magazines and corrugated cardboard. A monthly fee of \$3.50 for this service is added to residential sewer bills to cover the cost of this service.

Grass cutting and other landscaping services for municipal property, particularly its park infrastructure, are provided via contract by Curtis Contracting & Services, a private landscaping services firm. This service was historically performed in-house with DPW staff. However, as

mowing and other related equipment exceeded its useful life and depleted, the City contracted this work out to the private sector.

Public Works staff provides routine maintenance for the City's parking garage and municipal buildings. Work to the municipal garage includes minor repairs as needed and scheduled street sweeping once or twice a month. DPW staff provides repairs and maintenance to municipal buildings such as painting, drywall work, minor plumbing and electrical work. The City and its DPW staff are also tasked with maintaining flood protection infrastructure along Indian Hollow Run and Glade Run, mainly by way of cutting grass on public right-of-way and maintaining the fencing along this floodway's concrete channels.

After a private composting facility in the Warren area closed in 2016, City officials worked with the Pennsylvania Department of Environmental Protection (DEP) to facilitate the development of a municipal compost site. The site was developed off Hemlock Road, a field on which the City maintains windrow compost piles. The City plans to use the resulting product internally and noted that DEP restrictions preclude the sale of extra compost.

Contracted Services

The City spends a considerable amount on contracted public works services, ranging from a low of \$482,150 in 2013 to a high of \$969,398 in 2016. The expenditures vary from one-third to over half of total public works non-personnel expenditures. Meanwhile, total non-personnel expenditures grew by 4.3 percent over the historical period while contracted expenditures increased by 55.4 percent. As a result, the City has expressed interest in exploring whether certain contracted services should instead be handled in-house. (See Table 7-9.)

Table 7-9
 WARREN CITY
Consulting and Contracted Services Expenditures
Compared to Non-Personnel Expenditures
 2013 to 2017

	2013	2014	2015	2016	2017	Change 2013 - 2017	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	\$	%
Total Non-Personnel Expenditures	\$1,371,066	\$1,825,481	\$1,786,447	\$1,402,369	\$1,429,442	58,376	4.3
Contracted Expenditures							
Consulting Services	\$8,531	\$10,595	\$7,658	\$8,959	\$9,009	477	5.6
Contracted Services	401,729	501,556	804,582	843,488	642,649	240,919	60
Temporary Contracted Services	<u>71,889</u>	<u>74,689</u>	<u>80,770</u>	<u>116,951</u>	<u>97,588</u>	<u>25,699</u>	<u>35.7</u>
Total Contracted Services	\$482,150	\$586,840	\$893,010	\$969,398	\$749,245	267,095	55.4
% of Non-Personnel Expenditures	35.2	32.1	50.0	69.1	52.4		

Recommendations

- Study Contracted Services: As previously noted the City spends a large amount on contracted Public Works services and wishes to explore whether it would be more cost effective to bring at least a portion of that work in house. The City should study the issue taking into account factors including overall personnel costs such as wages and benefits, as well as the expense of any potential equipment, whether the contracted services occur regularly enough to justify an increase in ongoing departmental expenditures, and similar considerations.
- Review Municipal Pool Fees: The Municipal Pool, without consideration of depreciated expenses of capital assets, adds a net cost to the General Fund between \$70,000 and \$100,000 annually. The City may wish to absorb these costs as a policy decision in order to provide the service of a Municipal Pool to residents, particularly those who are low income. The City might also consider the following options in order to gain more revenue to defray pool costs. It is important to note that if the City chose to close the pool, there would be a requirement for the City to repay grant funding from the Commonwealth that was used to rehabilitate the lifeguard building.

The City should examine increasing single admission and season pass rates for 2019 and beyond. Keep in mind that a significant fee increase could lead to a reduction in

patronage that, on the whole, may reduce net revenues. Suggestions include eliminating the Early Purchase rates structure and increasing rates approximately 35 percent. Furthermore, alternative revenue streams should be explored other than fee increases, such as permitting licensed food trucks to sell food and beverages in the facility or its parking lot for a fee. In addition, any significant future capital needs of the facility should, to the greatest extent possible, be funded by donations and grants, from the Commonwealth and other vested entities.

CHAPTER 8 FIRE DEPARTMENT REVIEW

Introduction

The City of Warren Fire Department has a compliment of 17 firefighters including the fire chief and operations training officer. The Department operates from one station adjacent to City Hall. The staffing allows for the operation of a first line engine (driver and officer), an aerial platform truck (driver and officer) and a second engine (driver and firefighter). The City currently has an ISO rating of 4, according to Fire Chief Sam Pascuzzi. Firefighters are unionized under IAFF Local 1835. In addition to the fire chief, City Manager Nancy Freenock was interviewed for this review.

Emergency Medical Services (EMS)

In addition to fire services, the Department provides Basic Life Support (BLS) EMS ambulance services to the City, and by way of mutual aid, to the surrounding communities. All City firefighters are required to be trained at the Emergency Medical Technician (EMT) level. The City's ambulance is the only municipal-based, career (paid) BLS ambulance service in Warren County. Both Warren Fire/EMS and EmeryCare are dispatched through the Warren County Communications Public Safety Answering Point (PSAP).

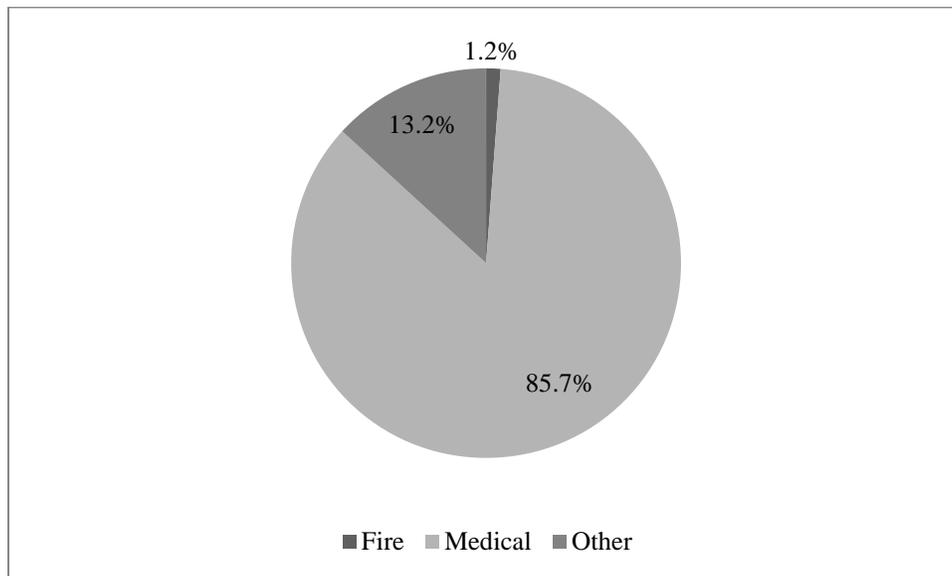
Advanced Life Support is provided through an agreement with EmeryCare Ambulance Service. EmeryCare has an extremely large geographical coverage area, serving all or parts of Erie (Headquarters), Crawford, Forest, McKean, Warren and Venango Counties. Emerycare's website states that they are a nonprofit organization, sustained by memberships, donations, and grants. They do not mention third party billing of insurance companies or fees/contributions by municipalities as a part of their revenues.

In 2015, the City purchased a second ambulance because of the increasing volume of medical responses in the City and surrounding areas. The higher response rate in surrounding municipalities was due in large part to the lack of volunteer services responding to calls in those areas. Since adding the second ambulance, the number of medical calls has grown from 1,278 to 1,563, an increase of 285 or 22.3 percent. In 2017, medical calls were 85.7 percent of total calls compared to 1.2 percent for fire calls and 13.2 percent for other calls. (See Table 8-1 and Graph 8-1.)

Table 8-1ⁱ
 WARREN CITY
Fire Department Calls
 2014 to 2017

Type	2014	2015	2016	2017	Change 2014 to 2017	
	Actual	Actual	Actual	Actual	#	%
Fire	18	12	26	21	3	16.6
Medical	1278	1440	1551	1563	285	22.3
Other	199	195	217	240	41	20.6
Totals	1495	1647	1794	1824	329	22.0

Graph 8-1
 WARREN CITY
Fire Department Calls
 2017



In response to an increasing number of “dropped calls” by volunteer EMS units, Warren County implemented a county-wide EMS Plan (Plan). The Plan was approved by the Department of Health in 2016 and became effective January 1, 2017.ⁱⁱ However, volunteer EMS units are not consistently following the Plan requirement to notify the PSAP eight hours in advance of any known coverage lapses. The home agency is to designate a covering agency. The covering agency must accept the responsibility of responding to medical calls during the time the home agency is not available. Fire Chief Pascuzzi indicated this seldom happens, and Warren City Fire’s ambulance is often dispatched into the surrounding municipalities without having been asked to be a covering agency.

Lack of EMS Volunteers

EMMCO West, Inc., the nonprofit EMS Council covering seven counties in northwest Pennsylvania, noted the lack of volunteers and the impact that it is causing in a report entitled EMMCO West, Inc. EMS System Assessment 2018-2019.ⁱⁱⁱ The following excerpts were taken from Page 9, under a section titled Identified/Perceived Inter-Regional Trends:

Personnel:

EMS personnel are continuing to expire at a greater rate than training programs are generating EMS graduates.

Operations:

Call volumes historically increase while personnel and other resources are diminishing. EMS agencies are experiencing acute personnel shortages. EMS agencies have closed and there are additional EMS agencies on the verge of ceasing operations.

Three counties, (Crawford, Erie, Warren), have had their county-wide staffing plans approved. Crawford and Erie have implemented their plans. Issues exist with the quality improvement efforts with overseeing the plans.

The lack of volunteers has created severe challenges in the Commonwealth as documented in the 2018 Pennsylvania Senate Resolution 6 Commission (SR6) report on the issue: “Fire and EMS **are** in a crisis — right now. Simply put, EMS is woefully lacking in funding — and the number of volunteer firefighters has fallen dramatically over the decades.”

Report recommendations to mitigate the crisis include:

- Amend legislation enacted in 2008 (Act 7, 8, 9, and 31 of 2008) requiring municipalities to provide fire and EMS emergency services to require local municipalities to adopt one or more standard of coverage.^{iv}
- Increase reimbursement and payment models for EMS.^v
- Create a State Fire Commission, expand the State Fire Commissioner office, and authorize the Commissioner’s office to take actions to correct deficiencies related to a statewide minimum standard of coverage.^{vi}
- Simplify the process to regionalize fire and EMS services.^{vii}
- Educate municipal officials about the fire and EMS crisis and needs.^{viii}

There are a total of 27 recommendations contained in the SR6 Commission's final report. It would be beneficial for the fire chief and City manager to review this document, if they have not had an opportunity to do so.

The volunteer crisis has contributed to the volume of emergency medical responses for the City's Fire Department ambulances. This issue, which is outside of the City's control, has the potential to severely limit the ability of the Fire Department to provide an effective firefighting response because of the amount of resources dedicated to EMS. For example, the crews assigned to Engine 3 and Tower 1 are prioritized to handle EMS calls. Therefore, if both ambulances are on calls, Engine 2, with a driver and officer, is the only firefighting crew available to respond within the City. There are times when the Fire Department is dispatched as a Quick Response Service (QRS) when both ambulances are on calls, which further diminishes fire coverage. Chief Pascuzzi indicated there are approximately 200 times a year when both ambulances are on calls at the same time. The amount of time that fire protection was severely impacted because both ambulances were on simultaneous calls was not available. The City should consider developing this statistic so that it can present that information to surrounding municipalities to show the negative impact covering these municipalities has on City fire protection.

Billing

The City currently uses Ambulance Reimbursement Systems, Inc. (ARS) for patient insurance billing. According to Chief Pascuzzi, the arrangement costs approximately \$20,000 per year with an estimated reimbursement of \$265,000 in 2018. EMS insurance billing is a technical and dynamic industry, particularly with the ever-changing Medicare requirements. However, like all other contracted services, the City should re-evaluate its current provider for cost effectiveness.

Additionally, the chief indicated there is a joint billing arrangement with Emergycare for EMS calls involving Advanced Life Support (ALS). Chief Pascuzzi stated the City retains 60 percent of the reimbursement, with the remaining 40 percent going to Emergycare. Current BLS reimbursement rates and billable expenses should be discussed with the City's billing company to ensure that both the City and Emergycare are receiving the proper reimbursements when ALS is involved rather than simply a percentage of each bill.

Utility Firefighters (UTFF)

The Utility Firefighter (UTFF) program began in 1989, according to Chief Pascuzzi. At that time, the Fire Department had a number of aging members and the City was considering creation of a part-time department. There were 18 UTFFs at the height of the program. That number and the number of hours covered by the UTFFs have fluctuated over the years. Presently there are six UTFFs. This compliment covered roughly 5,000 hours in 2018.

Chief Pascuzzi indicated that he has to cover over 56,000 hours of required staffing annually. Minimum staffing of six firefighters covering a 24-hour period, 365 days per year equates to 52,650 hours. The chief and the operations training officer add an additional 4,160 hours for a total of 56,810 hours each year.

The Collective Bargaining Agreement (CBA) with IAFF Local 1835 provides for leave time, including vacation, sick and holiday (H-days). While a detailed study of the amount of leave time taken and the impact on staffing and overtime is outside of the scope of this report, it is apparent that the current compliment of UTFFs is not sufficient to reduce the impact on overtime due to minimum staffing requirements. The current language in the CBA requires six firefighters on each shift. The current required compliment of 17 firefighters (including the fire chief and operations training officer) provides for 15 firefighters to cover 18 FTE positions.

The City manager indicated the low hourly rate for UTFFs was the main cause for the decline in those positions. A recent arbitration award has changed the hourly rate for UTFFs to 85 percent of the full-time firefighter hourly rate with the same number of years of service, which is expected to help the situation.

The prior rate of pay for UTFFs ranged from \$8.11 to \$11.02 per hour. Using 2017 CBA firefighter wages, the starting wage for UTFF at the 85 percent level would be approximately \$10 per hour. The UTFFs can also work flexible shifts of 24, 15.5, 12 or eight hours.

Chief Pascuzzi suggested that UTFF recruitment and retention is hindered by the required level of training. UTFFs must have Essentials of Firefighting/Firefighter 1 certification and two months of in-house training before being placed on a shift. Prior to the end of their probationary period, they must also acquire EMT, Emergency Vehicle Operator (EVO), National Incident Management System (NIMS), and Hazardous Materials Operation Level certifications. This training level is relatively common as a minimum standard in most volunteer fire companies.

The recent fire arbitration award includes a provision for flexible scheduling, which Chief Pascuzzi hoped would provide surge staffing for ambulance calls. As described by the chief, surge staffing is additional staffing to cover times of heavy EMS call time. Surge staffing would be based on discussions with surrounding municipalities with the intent of having sufficient manpower to cover mutual aid EMS. It was unclear how the chief planned to pay for the surge staffing. If the staffing is to cover times when the surrounding municipalities do not have EMS coverage, then a fee arrangement should be developed to provide this coverage.

Operations Plan

The Fire Department's 2019 Operations Plan serves as back up for the Department's 2019 budget requests and is used by the chief for annual planning.

The annual Operations Plan was developed several years ago during budget preparations under a prior City manager. At that time, the Operations Plan was reviewed during budget meetings and hearings with City Council. Since that time, budget preparations have taken a different approach. The City manager is not sure if anyone on City Council has read the current plan. Chief Pascuzzi stated the current version of the plan was developed several years ago, and the document probably needs to be reviewed and updated.

In addition to General Fund budget requests, the plan summarizes future capital needs. The plan anticipates \$57,500 in capital spending for 2019 including radio equipment and replacement of a computer work station that would come from the City's General Fund budget. Other proposed capital spending for 2019 is dependent on receiving \$499,000 in federal and state grants for hose (\$11,000), cordless LED scene lighting (\$2,000), an air bag set (\$6,000) and replacement of an E-3 apparatus (\$480,000). A grant application in 2018 for E-3 apparatus funding was denied.

Finally, the plan projects capital spending of up to \$1.4 million from 2020 to 2023. The \$1.4 million figure includes funding for the E-3 apparatus if the 2019 grant is denied and the City must apply again in 2020. Other items listed for 2020 to 2023 include a Utility truck, paint truck room, station flooring, a decontamination pool and shower, and refurbish or replacement of Tower-1. The Operations Plan has appropriate justification for the apparatus replacement, but there is no clear plan concerning replacement if the grant applications are denied. The capital plan indicates that both the Engine-3 and Tower-1 remain serviceable but should be considered

for replacement due to age and other factors. The Fire Department and the City should prioritize the Department's capital needs and develop contingency plans should grant funds not be forthcoming; keeping in mind the needs of other City departments that also must compete for scarce resources.

The Operations Plan also lists an aggressive training schedule. Training is crucial to keep firefighters current on the use of apparatus and tactics. The City has a large investment in a training tower and Tower-1. Regular training on the setup and use of the aerial (Tower-1), ground ladders and hose line advancement is important to both career and volunteer fire departments. This training should be scheduled to include the utility firefighters. Currently, the impact of EMS responses severely limits the Department's ability to complete the aggressive training schedule.

Fire Department Leadership Changing

Chief Pascuzzi joined the Department in 1981 and served as the fire services coordinator until 1994 when he was promoted to chief. He will be retiring in March 2019. His passion for the fire service and the City of Warren was evident in our meeting with him. It is our understanding there are no internal candidates in the process to be the next fire chief. This is an opportune time for the City to review and revise departmental expectations and capabilities as necessary.

Internal Communication

The City should strive to maintain open, honest and trusted communication between the City manager (as the conduit to City Council) and the City's department heads. The department head has a responsibility to educate the manager about the individual department's capabilities and needs. The City manager must be able to understand the needs of each department, while also educating department heads on the ability of the City to accommodate departmental needs within the City's fiscal constraints.

Recommendations

1. **Develop Ownership Driven Standards:** The City should consider developing a strategic planning meeting that includes, at a minimum, the City manager and the fire chief, as well as a select number of City Council members, firefighters, citizens and community

leaders. The meeting should be scheduled after the new fire chief has been hired and has an understanding of the day-to-day operations of the Fire Department.

The objective should be to establish:

- a. An understanding of City expectations versus the capabilities of the Fire Department (SR6 Recommendation 16 of educating municipal officials about the fire and EMS crisis and needs)
 - b. Should fire protection take priority over EMS response?
 - c. Should EMS response be a City service?
 - i. If so, should it be provided by less costly EMTs, leaving the firefighters to provide medical assists, while maintaining fire protection duties?
 - ii. If not, is a regional EMS or a contract with Emergycare another solution.
2. **Conduct a fiscal study of the cost of providing emergency medical services:** The City should undertake an in-depth financial study of the actual costs of providing emergency medical services within the Fire Department.
- a. Actual costs include:
 - i. Personnel costs, including benefits and overtime.
 - ii. Cost associated with the billing of third party insurance.
 - iii. Non-billable disposable equipment.
 - iv. Capital replacement costs for the ambulances and equipment.
 1. One ambulance in service is a 2008 model with over 35,000 miles. However, ambulance replacement does not appear in the capital list through 2023.
 - b. Review EMS billing.
 - i. Annual subscription rates for individuals and families (households).
 1. Are they consistent with other subscription rates in the region?
 2. Are they sufficient to assist with offsetting costs?
 3. Are they compliant with Medicare requirements (collections versus write-offs)?
 - ii. Review rates for mileage and other legally allowable billable expenses.
 - iii. Review the billing agreement with ARS to determine the amount of reimbursements versus the cost of services. While medical billing and

coding is a specialized field, the City should review to see if this can be brought in-house or if it would benefit the City to prepare a Request for Proposals/Qualifications (RFPQ) to review its options for cost effective billing.

- iv. Review the billing arrangements with Emergycare to ensure the City is receiving the proper reimbursements for BLS transport services and billable items.

3. Place the second ambulance out of service.

- a. Possessing an ambulance does not mean it must be made available for daily service. Many EMS organizations have several ambulances for various activities and for backup units.
- b. When the first ambulance is on a call, dispatch the fire department as a QRS on any EMS calls within the City.

4. Meet with the surrounding municipalities where volunteer EMS companies are failing to respond.

- a. Explain the negative impact that responding to a high volume of calls outside of the City has on cost, training and provision of fire services within the City. Emphasis that the City cannot continue to absorb these costs and in effect subsidize the surrounding municipalities.
- b. Discuss the shortcomings of the regional EMS plan, including the fact that volunteer companies are not following the protocols and the negative impact that has on the City and Warren County as a whole.
- c. Stop accepting subscriber reimbursement as full payment when responding to EMS calls in surrounding municipalities. Bill the patient for the costs not covered by insurance.
- d. Consider an EMS service fee to be paid by the neighboring municipality or EMS provider when Warren Fire EMS responds for mutual aid due to a provider failing to respond.
- e. Consider billing for non-transport EMS calls in surrounding municipalities. These are for dispatched calls where patients refuse transport.

- f. Discuss regionalizing EMS services, whether the City provides this service or it involves the creation of a regional EMS commission or board for governance.
 - i. If the City assumes the lead, it would be fiscally prudent to create an EMS division/bureau staffed with less expensive EMTs.
- 5. Consider establishing a separate EMS bureau/division within the City or within the Fire Department.**
- a. Staffing would be provided by lower cost EMTs.
 - i. EMTs could be Fire Department employees, which would probably require a reopening of the current CBA.
 - ii. The City could make a separate EMS Department outside of the Fire Department's span of control, which would not impact the CBA.
 - b. This would not impact the current staffing required by the CBA for fire protection.
 - c. The City's labor attorney should be engaged to provide guidance so as not to violate the CBA.
- 6. Develop a long term capital plan in coordination with the City manager.**
- a. Provide the City administration with cost estimates and a hard schedule by year of equipment that needs to be replaced. The current schedule uses a date range.
 - b. Prepare and provide to the City administration a list of major equipment including Engine 3, Tower 1, firefighter turnout gear, radios, etc. This will allow the City to better plan for future expenditures as these items need to be replaced.
- 7. Undertake a study of the fire experience and staffing levels appropriate for the City**
- a. The study should be a collaborative effort with other municipalities focusing on:
 - i. The City of Warren and the provision of fire protection services to the City.
 - 1. Staffing levels with EMS
 - 2. Staffing levels without EMS
 - ii. The City of Warren and surrounding municipalities
 - 1. Staffing based on the number of municipalities and the response area.

2. Potentially staffing personnel in volunteer stations to assist with responses.
 - iii. The City and County of Warren, involving the County as a partner to assist in addressing the volunteer crisis
 1. Staffing based on the placement of career personnel in strategically located volunteer stations to assist with responses on a county-wide basis.
 - b. Review the appropriate model(s) for provision of a regional fire protection plan.
 - i. Mutual/automatic aid and the appropriate agreements.
 - ii. Fee-based, to include the cost of personnel and the depreciation of City apparatus incurred by these responses.
- 8. Increase the use of technology to assist responding personnel with critical information prior to arrival and during an incident.**
- a. The City is working on GIS mapping of its combined storm/sanitary sewer system and other infrastructures. This information should be available to the on-duty staff in the apparatus via computers or tablets.
 - i. During a hazardous materials spill/incident, the information would allow responding personnel to get ahead of the contamination prior to it entering the treatment plant.
 - ii. The information can assist with hydrant locations and water main shutoffs in emergencies.
 - iii. Additional layers and information can be added that would assist first responders, such as building plans, hazardous material or other hazards that are found during inspections.
 - b. Technology in the fire apparatus allows access to up-to-date hazardous materials databases.
 - c. Depending on the technology being used by Warren County Communications, EMS will be able to obtain patient information through a Computer Aided Dispatch (CAD) interface with a computer or tablet in the ambulance.
 - d. CAD interfaces could also potentially populate EMS and fire reporting software with critical information, saving personnel cost in completing reports.

ⁱ Fire Department 2017 Services and Programs Report

ⁱⁱ Chapter 8 Draft from original EIP study page 8-3 and interviews with Chief Pascuzzi

ⁱⁱⁱ http://www.emmco.org/Documents/EMMCO%20West%20Regional%20Assessment%202018_2019FinalDraft.pdf

^{iv} SR6 Commission final report: Recommendation 3 (page 19)

^v SR6 Commission final report: Recommendation 4 (page 22)

^{vi} SR6 Commission final report: Recommendation 5 (page 23)

^{vii} SR6 Commission final report: Recommendation 6 (page 25)

^{viii} SR6 Commission final report: Recommendation 16 (page 39)

CHAPTER 9 MANAGEMENT ASSESSMENT

Interviews were conducted with City administrators and observations were made of City departments in February and May 2018 that served as the basis for recommendations in this Management Audit. In addition, the Management Audit includes an organization-wide self-assessment completed in May 2018 utilizing the *Standards for Effective Local Government* process developed by the Southwestern Pennsylvania Commission (formerly the Southwestern Pennsylvania Corporation). As appropriate, documents obtained from the City, information presented on the City's website, as well as data and information gathered from other governmental agencies, has been used to develop an understanding of the City's administration and operations.

Interviews with staff identified areas of strength and described short and longer term challenges, while the organizational self-assessment evaluated administrative, managerial and service provision standards by using a scale ranging from "Met, Effective," "Met, Ineffective" to "Not Met." The self-assessment assumed willingness on the part of the participant to honestly respond to the factors and clearly identify where action may be necessary. It also assumes a willingness on the part of the whole organization to address the factors assessed as "Met, Ineffective" or "Unmet." Appendix A more fully describes the management assessment process.

Overall, the results for the City indicated that of the 293 standards, 219 (75%) were assessed by the City's administrators as "Met, Effective;" nine (3%), "Met, Ineffective;" 37 (13%), "Not Met;" 16 (5%), "No Response;" and 12 (4%), "Not Relevant."

An overview of the organization-wide self-assessment will be presented for general government, financial management, human resources management, records management, risk management, planning, land use control and code enforcement, and parks and recreation. Overall, it should be noted that there is general consistency between the outcomes of the organizational assessment and staff interviews for the areas where interviews and the self-assessment were conducted.

The management assessment includes a series of recommendations based on the outcomes of the interviews and self-assessment to guide short and longer term action planning and implementation with efforts directed to those that the City deems most urgent. All of the recommendations are within the capacity of a small city to implement. Where the recommended action may require outside assistance to execute, the City should consider seeking grant funds from the PA Department of Community and Economic Development.

document the terms and conditions of the manager's employment; the governing body does not place the manager in "impossible situations" by giving conflicting orders and directions and/or by involving him/her in partisan political disputes or personality clashes; the legislative body on an annual basis provides the manager with a written evaluation based on agreed upon goals, objectives and assessment criteria; the manager and Council do not let problems or concerns go unspoken or unresolved; the manager supports the governing body's policy making process by providing information, investigating options and making policy recommendations; open meeting and open records laws are strictly observed; the governing body has adopted rules of procedure for the conduct of meetings; meeting agendas are available to the public before the meeting; when issues and problems are expected to generate a larger crowd than normal, special meetings or hearings are held; meetings are run efficiently and in a manner that respects the time of the elected officials; the municipality has adopted an administrative code; the municipality complies with the Americans with Disabilities Act; and vacancies on board and commissions are filled through an open process that considers expertise as well as representation of all areas of the community.

Met, Ineffective — three factors: the manager prepares a periodic written administrative report to the governing body to review activities, issues, and accomplishments; the local governing body, manager and department heads periodically review municipal services and administrative functions for their efficiency and effectiveness; and once the agenda is agreed upon, changes are made by a majority vote of the legislative body

Not Met — eight factors: the governing body has adopted a code of conduct; the governing body should define the manager's role in the policy process; a formal agenda for public meetings is prepared after consultation between the governing body and manager; once established the agenda is not amended except by a majority vote of the governing body accompanied by a public explanation of why the agenda is being changed; written procedures have been developed for all municipal functions including boards and commissions; municipal consultants/professional services are procured through a competitive and open process; agendas with supporting materials are available to elected officials at a specified time prior to public meetings; and all boards and commissions have legislatively approved written operating procedures to guide their work

No Response — five factors: elected officials upon assuming office participate in training and education on a continuing basis; elected officials accept responsibility for educating the public; the governing body should clearly define and establish the lines of authority and communication between it and the employees; if the legislative body decides to terminate the manager, it is done with sensitivity and with the least public embarrassment; and the governing body has designated a spokesperson for the community.

Not Applicable — one standard related to communities without professional management was assessed as not applicable.

OBSERVATIONS

Half of the 32 factors associated with general government were assessed as “Met, Effective.” The other 16 standards were evaluated as “Met, Ineffective,” “Not Met,” “No Response” or “Not Applicable.”

Recommendations — Standards for Effective Local Government

- **Council-Manager-Staff Relationships** — Hold a special workshop/meeting to focus on aspects of the Council-Manager-Staff relationship reflected in the standards that were assessed as “Met, Effective,” “Not Met,” or “No Response.” Ideally, the session should be facilitated by someone familiar with the council-manager form of government, but not currently serving as an elected or appointed official in the City. Discussion should focus on two themes: the roles and responsibilities of elected and appointed officials in the policy and administrative processes, and development of the agenda for Council’s monthly public meeting. The object of the first discussion would be for the governing body to examine and clarify the manager’s role in the policy process and clearly define and establish the lines of authority and communication between Council and the City’s employees. If elected and appointed officials have a clear understanding of their respective roles and responsibilities, the City’s capacity to successfully meet the financial and operational challenges identified by the EIP will be enhanced. The second discussion should focus on the manner in which the agenda is currently prepared for Council’s monthly meeting. Three unmet standards associated with the agenda (a formal agenda for public meetings is prepared after consultation between the governing body and manager; agendas with supporting materials are available to elected officials at a specified time prior to public meetings; once established, the agenda is not amended except by a majority vote of the governing body accompanied by a public explanation of why the agenda is being changed) would facilitate an effective and efficient review of policy and decisions that come before Council. Adhering to such standards will allow the elected officials to more fully prepare and participate in discussion before votes are taken.
- **Manager’s Reports** — the standard, “the manager prepares a periodic written administrative report to the governing body to review activities, issues, and accomplishments” was deemed “Met, Ineffective.” To make this part of the manager’s role more effective, the manager should review reports from other communities to determine what types of revisions might be beneficial. Changes in expectations for staff input to the reporting process may also be necessary to increase the value of the manager’s periodic report to Council.
- **Consultants/Professional Services** — the City in 2012 adopted *Policy and Procedure for Administration, Processing and Procurement of Professional Services Contracts* (Res. No. 2890). The policy should be reviewed to determine whether it meets the standard that municipal consultants/professional services are procured through a competitive and open process. The policy should also be

formally incorporated into the City's administrative code, which is accessible via the City's web site. This will permit greater access and understanding of the City's practices and procedures rather than maintain it as a policy available upon request through the City Manager's office.

- **Procedures and Policies** — assess the need for each department, board and commission to create procedures and policies to identify and describe its functions, services or activities and take appropriate actions. For example, under the finance area, the director indicated that the City does not have a purchasing policy. Questions to discuss include: Would it benefit the City at this time to develop a purchasing policy and formally adopt it as part of its administrative code? Will a purchasing code support the implementation of the EIP results?

Recommendations — Implementation of EIP

- It is strongly recommended that a special workshop be held for the Council, manager and department directors to develop an implementation strategy for the EIP. The strategy should set priorities for the short and longer term and identify the elected and/or appointed officials who will be individually or jointly responsible for taking action. A commitment to publicly report on the progress of the EIP's recommendations should be included as part of the strategy.
- The City should make an effort to educate the public through a formal discussion on the results of the EIP, making the EIP report accessible to the public by linking it to the City's web site and working with the local media to provide information about the challenges the City faces and actions it will consider as choices are made to address the challenges.
- To facilitate interaction with the public and the media, the City should identify a spokesperson that will provide updates on the progress of the EIP's implementation strategy.
- The City should, where possible and appropriate, apply for PA Department of Community and Economic Development grant funds to implement EIP initiatives.

HUMAN RESOURCES MANAGEMENT

The City's human resource management is under the responsibility of an administrative assistant who recently attained certification by the Society for Human Resource Management.

Activities under the umbrella of human resources management typically include complying with federal laws, maintaining employee records, filling positions in a fair and open manner, working through probationary periods, managing employee compensation and benefits, and administering the grievance and disciplinary process. Performance evaluation is often the most difficult aspect of the human resource management process for both the employee and supervisor/employer. The performance evaluation system should be collaborative. It should support the identification of goals and objectives beneficial to the municipality and the factors that will facilitate the employee's contribution toward implementation of those goals and objectives. In the self-assessment, three of the five standards that were evaluated as "Met, Ineffective" or "Not Met" related to performance evaluation. To effectively meet the challenges ahead, the City is strongly encouraged to develop a collaborative environment rooted in a sound and constructive performance evaluation system.

Standards for Effective Local Government — Twenty-nine factors are distributed across eight categories including: job analysis, personnel recruitment, selection and promotion; compensation plan; performance evaluation; personnel records; probationary period; employee discipline and grievance procedures; and training. Twenty-four were assessed "Met, Effective;" three, "Met, Ineffective;" and two, "Not Met."

Met, Effective — 24 standards: all jobs have undergone a position analysis; all jobs are filled through an open and competitive examination/assessment process; all positions are publicly advertised; all qualifications/requirements for municipal positions are job-related; the final step in the hiring process is a physical exam and background investigation; new employees have probationary periods of at least 6 months; new employees are periodically reviewed during the probationary period to aid in making permanent decisions; probationary employees are closely supervised; job descriptions based on the outcomes of the job analysis exist for all positions; a classification plan governs compensation for each position; the municipality has a written policy regarding employee access to and security related to employee personnel records; employee compensation is competitive with other municipalities in the region; employee disciplinary actions are formally documented and communicated to employees subject to discipline; employee performance evaluations are part of their personnel files; results of performance evaluations are reviewed with the employees with employee comments/concerns noted on the form; a comprehensive personnel file is maintained for each employee; standards regarding employee conduct are written and clearly communicated to employees; a grievance process exists for all employees; all employees and officials have on-going opportunities for training and education; annual general fund allocations for training and education are authorized; training and education needs are periodically evaluated by management; all personnel are provided job related safety training; lines of authority and responsibility are clearly established for all employees; "due process" is afforded all employees as part of disciplinary actions involving

dismissal; and the disciplinary process is constructive rather than negative in focus where termination occurs after attempts have been made to address inadequate performance.

Met, Ineffective — three factors: employment policies and procedures are ADA compliant; the municipality has a formal employee performance evaluation process and all employees are evaluated on an annual basis; and supervisors responsible for performance evaluations are trained on appropriate and fair employee evaluation processes.

Not Met — one item: employees are involved in their performance evaluation process.

Recommendation — the City currently does not have a comprehensive personnel policy, while police and fire departments have individual policies. An organization-wide document is necessary to guide the human resources management process on a daily basis in a consistent and continuous manner. This project should be implemented in the short term. Should the City require assistance, it should request a DCED peer consultant.

Recommendations — the City should review the five standards assessed as “Met, Ineffective” or “Not Met” and create action plans to address each area. Working through the action planning process will allow the City administration to develop strategies to best resolve the identified problems. Given the nature of the five standards, action on all five is recommended in the short term. The recommendations regarding ADA compliance and employee discipline will primarily require the commitment of the City Manager and Administrative Assistant who handles human resources with the support of the City solicitor to implement, while those related to performance evaluation will require participation across the organization.

- **Employment policies and procedures are ADA compliant** — this project will require a review of existing documents and processes to determine where the City may not currently meet federal standards and revisions to bring policies and procedures into compliance. Taking action will also support the City’s risk management program.
- **Employee performance evaluation process** — this recommendation encompasses three standards: the municipality has a formal employee performance evaluation process and all employees are evaluated on an annual basis; employees are involved in their performance evaluation process; and supervisors responsible for performance evaluations are trained on appropriate and fair employee evaluation processes. It is generally accepted practice that the employees work with their departmental supervisor to develop written goals and objectives for performance at the beginning of the fiscal/calendar year. The goals and objectives for the individual employee or department should reflect the goals and objectives established by the adoption of the operating and capital budgets and, in the case of Warren, the recommendations contained in the EIP. During the course of the year, intermittent supervisor-employee discussions should be held to discuss progress toward the goals and objectives. At the close of the fiscal/calendar year, the City Manager and supervisory staff should meet to collectively review the progress of their departments in attaining the City’s stated goals and objectives. If the employee is expected to perform a job or task that requires training, the opportunity for training should be provided as part

of the 12 months before the employee is held accountable for the job or task. If the municipality expects the entire department to take on a new responsibility, all affected employees should be provided the opportunity for training either on or off-site. The supervisors who are responsible for working with employees in the performance evaluation process should be trained to effectively and constructively conduct the performance assessments. While it is believed that the current staff has the capacity to implement this recommendation, it would not be unreasonable to seek a DCED peer consultant or HR consultant with public sector experience to assist. If outside assistance is desired, the City should seek DCED EIP project funding to support this project.

Recommendation — once action to implement the performance evaluation recommendation is complete, it is recommended that the City utilize the process to assist with the designation of responsibilities for the implementation of recommendations contained in the Early Intervention Plan. Job descriptions should be reviewed and revised to reflect any change(s) in duties and responsibilities that the implementation of the EIP may cause.

FINANCIAL MANAGEMENT

The short and long term operational viability of a local government is deeply rooted in its financial management process. It is essential to have access to useful financial data and information and to understand what it tells about the community's capacity to perform basic services. The City's involvement in the Early Intervention Program heightens the importance of this function. The recommendations presented in this section focus on strengthening the City's financial management capacity in support of sound decision making as the City works to address challenges reflected in the EIP report.

Municipal financial management is generally defined by five components: accounting and auditing, budgeting for operations, cash management and investments, debt administration, and capital improvements planning. In the City, the finance staff is also responsible for real estate tax and sewer fee collections.

Overall, the recommendations for financial management are made in response to requests by the City Manager, staff interviews, document reviews and the results of the *Standards for Effective Local Government* self-assessment. Recommendations are organized into three sections: Sustainable Pennsylvania Community Certification Program — Financial Sustainability; multi-year budgeting; and *Standards for Effective Local Government*. The first two parts deal specifically with requests made by the City Manager concerning the financial sustainability program and multi-year budgeting.

SUSTAINABLE PENNSYLVANIA COMMUNITY CERTIFICATION PROGRAM FINANCIAL SUSTAINABILITY

The City Manager requested that the management audit include a discussion of the factors associated with attaining financial sustainability as measured by the "Sustainable Pennsylvania Community Certification Program," a project sponsored by Sustainable Pittsburgh and the Pennsylvania Municipal League. The factors identified as salient in the pursuit of financial sustainability are part of the Governance and Community Engagement's Municipal Operations topic and mirror nationally recognized practices advocated by the International City Management Association (ICMA) and the Government Finance Officers Association (GFOA). The focus here will be on municipal operations under the category of Governance and Community Engagement. The criteria and recommendations are given below.

Recommendations — Attaining Financial Sustainability

- **Professional staff are employed or retained in the areas of budgeting and finance** — the City is encouraged to conduct an open and competitive search for a professionally educated finance director when the position becomes vacant. Ideally, the city should seek an individual with a graduate degree in public administration and five years' progressive municipal experience encompassing the five aspects (accounting/capital improvement and operating budgeting/debt administration/cash management and investments/auditing) of public sector financial administration.

- **A revenue-expenditure trend analysis is conducted annually** — the City should employ a summer intern through the Local Government Academy (LGA) to develop an Excel-based financial trend assessment system using DCED's *Financial Monitoring Workbook* as the model. If the framework for the trend monitoring system and historical financial data are created, the City should be able to maintain the data base by adding current information at the end of each year. The goal is to develop 10 years of history to accurately assess and interpret revenue, expenditure, and demographic trends. The workbook can be downloaded for free from the DCED publications web site. Note: As an EIP community, Warren is entitled to receive favorable consideration from the LGA.
- **Funds for capital-related borrowing are not used for day to day expenses** — to assure that capital debt proceeds are not used to fund operating expenses, the City's legislative body should adopt a policy that stipulates that funds from capital-related borrowing are used only for capital infrastructure, facilities, equipment and vehicles. (Sample formats for public sector financial policy statements are provided in Appendix C of this report.)
- **Municipality routinely evaluates ability to ensure that revenue is sufficient to maintain public infrastructure, i.e., road, water, sewer, storm water (community has an asset management based budget system)** — the development and implementation of a multi-year, capital improvements program will provide the policy/decision basis for the City to ensure that revenue is sufficient to adequately maintain its public infrastructure on a continuing basis.
- **Obligations for pensions/other post-employment benefits are funded for the long-term to at least 80%** — the City's 2016 financial audit report indicates that the City's police and non-uniformed employee pension plans on January 1, 2015, would meet these criteria, while the fire pension plan, which is funded at 67.6%, would not. At the end of 2016, the funded ratio was 0% for other post-employment benefits. The City could meet this criterion by increasing its funding of the fire pension plan, maintaining funding for the police and non-uniform plans and committing to aggressively funding OPEB. (The 2017 Financial Audit was not available when this report was written. The data for this criteria should be reviewed when the City receives the 2017 audit report.)
- **Five to 10% of operating funds are carried over year to year** — meeting this criterion would require the City to refine its revenue and expenditure estimating techniques. Revenue estimates would have to be more conservative and expenditure estimates more liberal than most communities would typically incorporate into their budgets. A more modest initial goal may be to strive toward ending the year with a 2.5% to 5% general fund surplus and over a period of years increase it to 5% to 10%. Note: The purpose of the 5% to 10% carryover is not clear. Generally, municipalities strive to achieve budget estimates that are within 2% to 5% of their actual revenues and expenditures with

revenue being in excess of expenditures. Any fund balance at the end of the fiscal year then would be allocated to future capital improvements rather than fund general operations in a subsequent year. There is a need for clarification of this criterion before undertaking any implementation action.

- **Taxation takes a balanced approach applicable to all sectors of municipal services provided and fees satisfy cost recovery** — determining whether the City meets this criterion would require an analysis of its current tax and fee structure as well as an evaluation of the total cost for services provided in exchange for a charge or fee. This would be an appropriate element for inclusion in any change in the operating budget process. Should the City conduct the necessary assessments to satisfy this criterion and find compliance, the legislative body should formally adopt a policy to institutionalize this approach.
- **Green vehicle fleet assessment has been initiated toward using greener fuels and/or equipment with cleaner technology, or driver education about driving techniques for fuel economy** — this criteria requires a City-wide “green” vehicle fleet assessment and commitment to using greener fuels and/or equipment with cleaner technology, or requiring employee driver education focused on driving techniques to achieve greater fuel economy. The City should contact the sustainable communities program to determine whether there is flexibility regarding fuels based on availability of options in the region.

MULTI-YEAR BUDGETING

Local governments traditionally prepare operating budget on an annual basis with a focus on balancing current revenues and current expenditures for the next 12 month fiscal period. In recent years, cities across the United States have gone beyond state and charter mandates for an annual balanced budget to create multi-year budgets to provide a longer term outlook on what revenue resources will be required to support local services. In a multi-year environment, revenue and expenditure estimates are made for three to five years with the expectation that the initial year will be the most refined estimates. In subsequent years, the City would revise the existing revenue and expenditure estimates for the remaining years in the original three to five year term and add a year of estimates to maintain the three to five year time line. The current year when complete becomes history and a new year is always added to the estimates during the annual budget process. Taking care to revise and refine the estimates makes the process practical and reasonable as it allows for unknowns that become knowns to be accounted for in the estimating process. Currently, PA Act 47 requires five-year estimates to be projected for the general fund budgets of financially distressed communities. Appendix F contains a longer discussion on multi-year budgeting. An example of multi-year projections can be found in the text of the Borough of Greenville’s Recovery Plan located on DCED’s Act 47 web page.

ICMA recently posted the results of a study of cities that have undertaken multi-year budgeting. In the introductory comments of the study report, it was noted that the cities were able to work toward the following objectives through multi-year budgeting:

- Use of long term planning to meet long term goals.
- Residents are provided greater certainty and direction regarding local government service levels, local financial capacity and taxation.
- More strategic and productive use of the local legislature's time allocated to budget review and staff time associated with budget preparation.
- Greater focus on "continuous improvement and implementation," not just planning.
- Retention of the benefits of annual budget and interim updates monitoring and adjustments.
- Having the opportunity of incorporating operating costs associated with capital improvements into the operating budget.
- Instilling discipline into the review of interim financial reports and taking corrective actions.
- Promoting more orderly and honest spending patterns that diminish the mind set of "use it or lose it."
- Allows elected officials to see how services and programs are funded and implemented over time.

Factors necessary to assure an effective transition and implementation of a multi-year budget process by a local government include:

- Commitment to undertake a serious goal setting process that involves residents.
- Thoughtful translation of community goals into implementable programs.
- Commitment to adhere to the multi-year budget and refrain from veering off course.
- Establishment of a reasonable time frame for the development and initial implementation of the first multi-year budget.
- Allocation of sufficient resources to achieve top priorities and constant review and monitoring to assess whether budget and goals are complementary.

Recommendation — Multi-Year Budgeting

The EIP financial projection aspect will provide a general framework for the development of a multi-year general operating budget for the City of Warren. Gaining a full understanding of the nature and assumptions of the multi-year projections should serve as a foundation for the City's staff to develop more detailed estimates using data and information such as recently negotiated employee collective bargaining agreements. The trend analysis recommended in the previous section would also contribute data and understanding to the revenue and expenditure estimating process.

STANDARDS FOR EFFECTIVE LOCAL GOVERNMENT

The recommendations that follow the summary of the financial standards assessment may appear daunting because they may be viewed as demanding and disruptive of current procedures and

practices. The recommendations are rooted in the nationally recognized practices for public sector financial administration developed by the GFOA and the ICMA. Creating an environment across the organization that is supportive of the work necessary to implement the changes will enhance the City's potential for success. Team work with a generous measure of cooperation, collaboration and patience will be essential to success and effectiveness. In addition, seeking outside funding and consultant/resources to support the City's efforts may also be beneficial. The development of an action plan for implementation over the next several years as part of the EIP process would set a reasonable pace for the recommended changes.

Standards for Effective Local Government — 36 standards for the financial management function are distributed across six factors: the municipal budget process, multi-year capital improvements planning, revenue collection, cash management and investments, purchasing policy and procedures, municipal accounting and auditing. Twenty-four standards were assessed as “Met, Effective;” one, “Met, Ineffective;” 10, “Not Met;” and one, “No Response.”

Met, Effective — 24 factors: budget preparation is under the responsibility of an individual who has education and experience in budgeting; the annual budget contains a budget message that comments on challenges as well as positive accomplishments; the budget is comprehensive, covers all funds and may be used as a management tool; there are established procedures plus a calendar that guide the development of the annual budget; department heads provide written substantiation for their budget requests; the budget provides three to five years of historical revenue and expenditure information; revenue and expenditure projections are based on valid supporting data; debt service schedules are included in the annual capital budget; bonded debt maturity schedules do not exceed the useful life of the projects financed by the debt; funds borrowed for more than one year are only used to finance capital projects; investment responsibilities are vested in a single individual; the municipality has an accounting system that meets generally accepted accounting principles; regular interim reports compare budgeted to actual revenue and expenditure transactions with explanatory notes for significant variances; internal controls for accounting and administration of the finance function exist; revenues during peak collection times are deposited daily; real estate and utility rolls are audited annually for accuracy; the City has established a capacity for selective audit of Act 511 tax returns; interest and penalty levels are consistent with legal limits; the City periodically analyzes tax delinquencies and has an aggressive delinquency collection program; the City has implemented a program in conformance with the “Local Taxpayer Bill of Rights;” fee and service charges are sufficient to cover the costs of services; the annual audit is conducted by an independent, professional auditor according to generally accepted accounting principles; the most recent audit contains an unqualified opinion; and there is an exit conference between the auditor and City officials at the conclusion of the audit.

Met, Ineffective — one standard: the multi-year financial planning process includes projections of current revenues and expenditures.

Not Met — 10 factors: the City has a multi-year capital improvements plan; one public hearing is held each year to review and discuss capital needs; long term debt decisions are consistent with the capital improvements plan; the replacement and major maintenance of equipment and

vehicles are in accordance with a formal schedule; the governing body has adopted a petty cash policy; the City has a written purchasing policy that conforms to relevant law; an inventory and inventory control system exists; the City has a cash management plan; all revenues are combined for investment purposes and establishes an audit trail; and there are established procedures to ensure that all businesses and individuals liable for payment of Act 511 taxes are on the tax rolls.

No Response — one factor: current operating and capital decisions for the annual budget are based upon appropriate sections of the multi-year financial plan.

Recommendations — Accounting, Budgeting and Interim Reporting

Management Information System — three critical pieces comprise the City’s capacity to effectively and efficiently manage its finances and operations on a continuing basis: the budget, the accounting system and interim financial reporting capability. All three mirror one another and rely on the design and use of the City’s chart of accounts. The number of accounts and how they are associated with the municipality’s functions will determine how well the manager and department directors are able to develop and monitor the general fund budget during the course of the year.

- **Budget and Accounting System** — the City, as part of the development of a multi-year budgeting process, should assess the current chart of accounts and its application in the budgetary process. The current interim financial report is over 40 pages in length and appears to be too unwieldy to be a useful management tool. In the past, municipalities focused on and controlled costs by allocating expenses across the departments. This ultimately results in a loss of perspective for those who are entrusted with the day-to-day management of the municipal operations. It is recommended that the City examine its current operating budget format and determine the necessity of retaining the existing format with its current level of detail. Reviewing municipal budgets of similar magnitude and encompassing similar administrative functions and operations may be useful to avoid reinventing the wheel. Once the City has established the budget format, it should determine whether the current accounting system software has the capacity to perform the desired functions. Should the software not meet the City’s needs, officials should consider software that is tailored to meet the needs of smaller communities. (An example of financial management software that has been specifically designed for a smaller community is included Appendix B.)
- **Interim Financial Reports** — the current format for the interim financial report for the operating budget contains the appropriate columns of information to support an assessment of current year progress and comparative analysis of revenues and expenditures current to prior year. Currently, the City prepares only quarterly reports and does not always complete a third quarter report due to the constraints of budget prep. Interim financial reports should be prepared and reviewed on a monthly basis. Monthly reports assure an appropriate level of monitoring and oversight by elected and appointed officials and provide a reasonable opportunity to make adjustments in response to variances between budget estimates and actual revenues and expenditures. The current

quarterly schedule with the potential delay of the third quarter greatly diminishes the potential use and benefit of the report as a fundamental management tool.

- **Service Level Analysis** — the results of the EIP study may recommend changes in the functions and operations of the City. To determine the impact of changes that may be recommended, the City should become familiar with and use service level analysis. Mt. Lebanon, PA for many years has used service level analysis to build the decision packages it works with to build its annual operating budget. As resources are allocated, choices among service levels and their associated costs are more visible and clearly understood. Details are available on Mt. Lebanon's web site.
- **Training** - The City is encouraged to provide on-site training and education for administrative staff and department directors in budgeting and capital planning to build the City's capacity. The training should be tailored to support the implementation of the EIP's recommendations.
- **Funding** — The City is encouraged to seek a DCED EIP implementation grant to support the changes in the financial management system, provide advice on reformulation of the budget and provide training to City personnel.

Recommendation - Capital Planning and Budgeting

City officials indicated in interviews that there was a lack of sufficient capital planning. Capital improvements planning (CIP) is a multi-component process comprised of a condition assessment of existing infrastructure, an assessment of future infrastructure needs, a detailed presentation of the infrastructure requirements for at least five years into the future, a financing plan, and a proposed debt schedule should the municipality require short or long term financing with the annual proposed cost specified. The need for such planning is rooted in the recognition that capital improvements are generally expensive and non-recurring on an annual basis. Typically, a public hearing is held each year to review and discuss capital needs and allow for citizen input. The plan is updated each year prior to the development of the general operating budget. Projects and estimated costs are reviewed and adjustments are made to reflect current circumstances such as urgency, funding options and availability. The goal is to always have a five-year perspective to more accurately plan for the fulfillment of the City's capital improvement responsibilities.

The capital budget each year is drawn from the CIP and incorporated into the general operating budget with capital improvements optimally valued at about 10% of the general fund budget and total annual debt service not exceeding another 10% of the general fund budget.

- The City currently does not have an adopted multi-year capital improvements plan. Instead, it has relied on lists of equipment, facilities and vehicles prepared by department directors when the annual budget is prepared. However, the City has recently initiated work on the development of an inventory of needs for each department. The City should expand their efforts to develop a traditional CIP. The development of a systematic process and a definition of what constitutes a capital improvement should be established. Training for administrative staff and department directors should also be considered to create uniformity and consistency in the departmental components of the CIP. A DCED technical assistance grant should be sought to support this training effort.

Recommendation — Implementation Timetable, Monitoring, Reporting

- The City should develop an orderly and systematic time table for the recommendations it chooses to follow, set benchmarks to assess progress, and report to the legislative body on a periodic basis.

Recommendation - GFOA Policy Statements

- Some of the standards assessed as not met can be addressed by adoption of best practices as described or defined by the Government Finance Officers Association. Appendix C contains copies of proposed policy statements for consideration and adoption by the City for cash management, investments, and use of fund balance.

Recommendation — Financial Administration Reference Library

- The City should consider developing a small library of reference materials to support changes in the City's administrative and financial management functions. The books listed below focus on internationally recognized best practices and processes. Each book is currently available in print or as a digital download.

Bartle, J.R. et. al. (2012). *Management Policies in Local Government Finance*, 6th Ed. Washington DC: ICMA Press. (Print Publication)

Bland, R. (2013). *A Budgeting Guide for Local Government*, 3rd Ed. Washington DC: ICMA Press. (Print Publication)

Kavanaugh, S.C. and Williams, D.W. (2016). *Informed Decision-Making Through Forecasting: A Practitioner's Guide to Government Revenue Analysis*. Washington, DC: ICMA Press. (Print Publication)

Marlowe, J. et. al. (2009). *Capital Budgeting and Finance*, 2nd Ed. Washington DC: ICMA Press. (Digital download from ICMA)

Newell, C., Ed. (2004). *The Effective Local Government Manager*, 3rd Ed. Washington DC: ICMA Press. (Digital download from ICMA)

INFORMATION TECHNOLOGY (IT)

INFORMATION TECHNOLOGY SYSTEM

Standards for Effective Local Government does not include an information technology (IT) component. In the alternative, the City's IT service provider, Techworx, was interviewed to gather information about the current status of Warren's computer system and gauge what should occur over the short and long term to maintain a viable IT capacity.

Techworx has provided services to the City since July 2017, a few months after Warren had experienced a ransomware attack. At that time, Techworx evaluated the City's system and found that the system had not been updated and multiple physical and logical security problems existed. Actions were undertaken to stabilize the City's network and support system users. Over the past 12 months, nine improvements were completed:

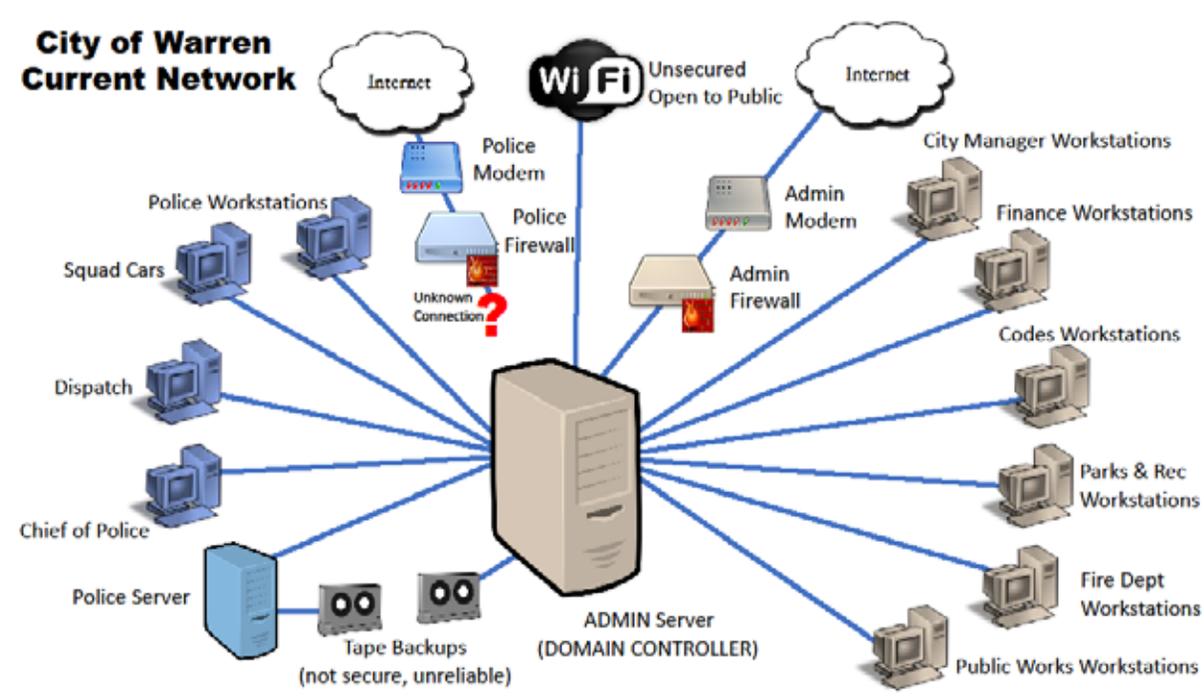
- upgrade of the firewalls - both were at the end of their useful lives;
- upgrade of the server backups from tape to a hybrid onsite/encrypted cloud solution;
- upgrade of internet speeds from 20MBps x 1 MBps to fiber connectivity at 250 MBps, which resulted in provision of a private network connecting all locations;
- upgrade of the switches to handle new speeds, POE capabilities and VoIP phones;
- physical and logical separation of the Police and Administrative networks per their compliance needs;
- upgrade of the wireless access points from home based units to commercial units; (This also segmented the guest network to route to the internet only, which was not being done earlier. Prior wireless access points allowed guest users access to the internal network.)
- upgrade to 3rd party software such as AutoCAD for new computers;
- proper virtualization of the servers; and
- upgrade of additional storage for videos and file storage for the Police Department.

The diagram on the following page depicts the City's current computer network.

The service provider also assessed the City's future system requirements. The recommendation is to consider hardware improvements within 24 months and then at three to five years. The focus in the next two years is to upgrade aging and obsolete equipment and maintain up-to-date software licenses. The projections are segregated for administrative and police department uses.

ADMINISTRATION (within 24 months):

- Replace Server Host (current server acquired in 2011 and is low on memory)
- New server would host/house all of the City's administrative virtual servers
- Total estimated cost \$32,500: hardware, \$24,000; Software Licensing/with MSSoftware Assurance, \$5,500; and installation, \$3,000



POLICE DEPARTMENT (within the next 24 months):

- Replace Server Host (current server acquired in unstable and very low on memory)
New Server would host/house all of the virtual servers for the police department
- Total estimated cost \$39,000: hardware, \$24,000; Software Licensing/with MS Software Assurance, \$12,000; and installation, \$3000

ADMINISTRATION (2020 to 2024):

- 2021: MSSoftware Assurance Renewal server software, estimated cost \$6,000
- 2022: Switch replacement of two of the older switches, estimated cost \$5,000
- 2022: Barracuda Backup Units replacement for 5 years, estimated cost \$28,000
- 2024: MSSoftware Assurance Renewal, estimated cost \$6,000
- 2024: SonicWALL replacement, estimated cost \$2,000
- Total estimated cost, \$47,000

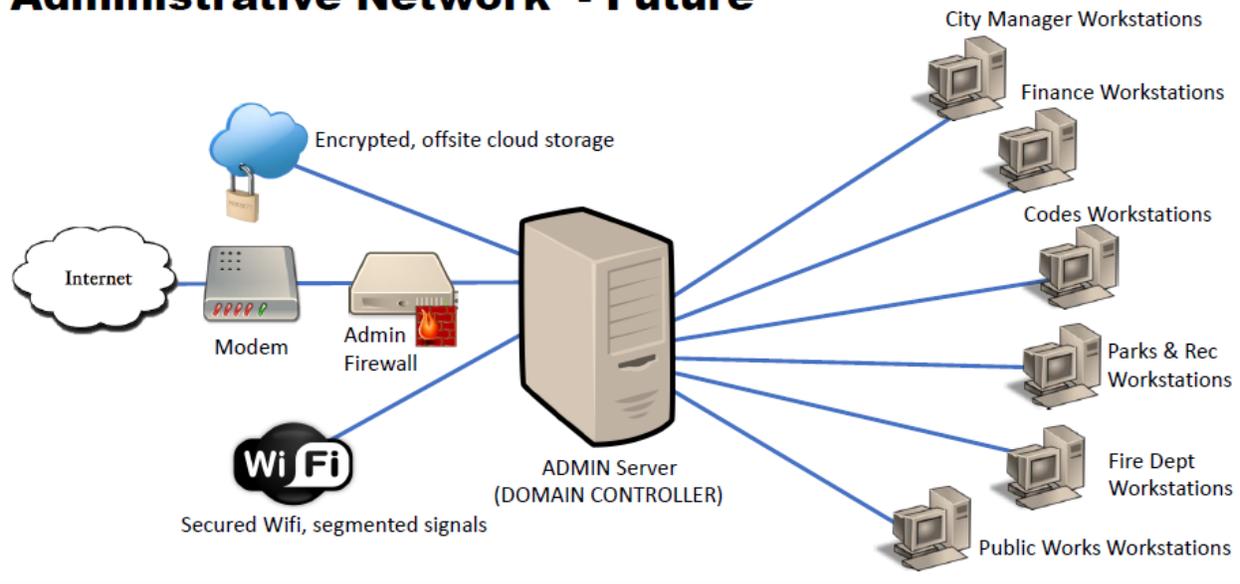
POLICE DEPARTMENT (2020 to 2024)

- 2021: MSSoftware Assurance Renewal for server software, estimated cost \$12,000
- 2022: Switch replacement (2), estimated cost \$5,000
- 2022: Barracuda Backup Units replacement for five years, estimated cost \$54,000
- 2024: MSSoftware Assurance Renewal, estimated cost \$12,000
- Total estimated cost, \$83,000

Techworx total estimated cost (2018 to 2024) for administrative and police department hardware and attendant server software licensing: \$201,500

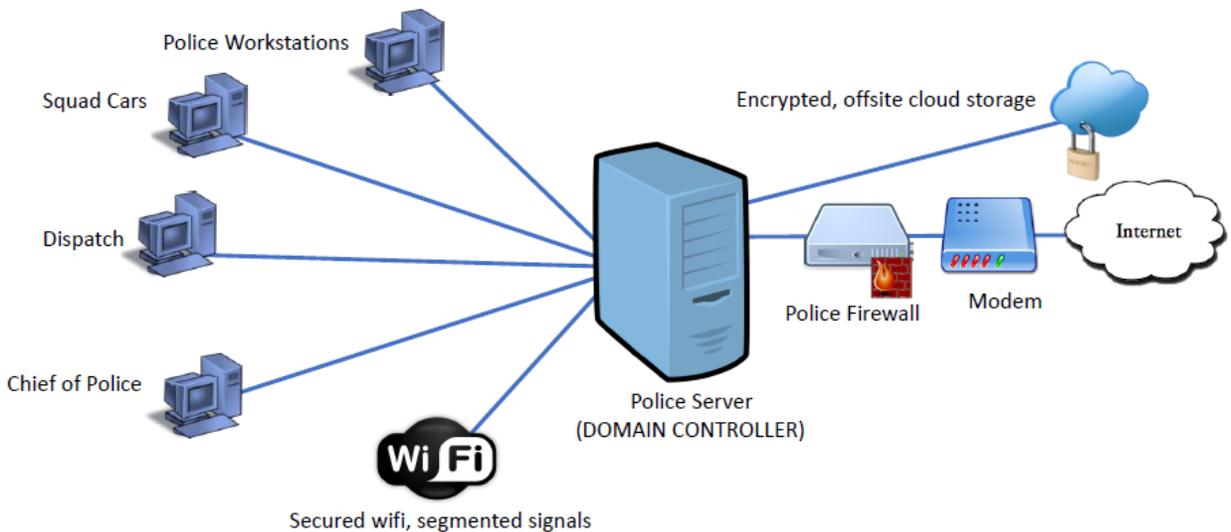
The following diagram depicts the future administrative network if the Techworx recommendations are implemented.

City of Warren Administrative Network - Future



The following diagram depicts the police department network if the Techworx recommended investments are made.

City of Warren Police Network - Future



Recommendation — the City’s servers, switches, firewalls and backup systems should be sufficient and remain within the expected product lifecycles if the City were to annually allocate an additional \$30,000 to \$40,000 towards IT for the next two to five years.

Recommendation — the city should coordinate the IT recommendations with the recommendations for financial management software.

WEB SITE

The City has a well-developed and appealing website that is relatively easy to navigate. With that said, there are several recommendations related to the website that would make it more meaningful and/or beneficial as a local resource.

Recommendations -

- Continue to keep the information posted on the web site up-to-date. People will be more likely to use the web site if accurate information can be found to answer questions or obtain forms necessary to conduct business with the City.
- The City should add an aspect to the web site that presents the City’s history. It is an old municipality with a rich history, and the City should reinforce it with local residents.
- A menu item on the City’s web site dedicated to the EIP and the strategy the City develops to implement the recommendations should be added.

RECORDS MANAGEMENT

Local governments often do not meet all of the basic standards associated with municipal records management as this function typically does not generate a high level of urgency. Absence of action is often related to the cost of implementation, whether it is for outside contractors, equipment and materials, or reluctance to consistently commit staff time. Day to day activity then tends to accommodate any shortcomings in how records are kept and maintained until some difficulty arises. Action then is taken to deal with the challenges as they arise.

The standards that the City meets in an effective manner are related to issues and demands on the existing system. The attack on its computer system last year resulted in changes to make the City's data and information more secure. Changes promulgated in the code enforcement and zoning functions by the City over the past several years have enhanced forms management.

Standards for Effective Local Government — fifteen standards are associated with municipal records management: six were assessed as “Met, Effective;” eight, “Not Met;” and one, “No Response.”

Met, Effective — six factors: the municipality by ordinance has adopted a records management program in conformance with the state law, has a forms management program, records management program complies with the state's open records act, the records management program protects the City's vital records and has instituted safeguards to protect its computer system and the web site contains municipal records that are easily accessible to elected and appointed officials and the public.

Not Met — eight standards: the municipality has a records management board, a reports control program, a file management program, an on-going program to determine when records go from active to inactive, has a policy that governs disposition of electronic records, a policy that governs the creation, maintenance and disposition of e-mail, official guidelines that govern translation of paper records to digital format in conformance with state recommendations and complies with the state's records retention and disposition act.

No Response — one standard: the municipality has a correspondence control program designed to reduce paper, storage and management costs.

Recommendation — Of the standards assessed as “Not Met,” those that should be addressed in the short term are: the municipality has a policy that governs disposition of electronic records, and the municipality has a policy that governs the creation, maintenance and disposition of e-mail and routinely complies with the state's records retention and disposition act. These standards, if not met, may pose a risk to the City on a continuing basis.

The balance of the standards assessed as “Not Met” should be reviewed and a determination made about the feasibility of taking action over the long term to develop a records management board, a reports control program, a file management program, an on-going program to determine when records go from active to inactive, and official guidelines that govern translation of paper records to digital format in conformance with state recommendations.

The standard associated with a correspondence control program designed to reduce paper, storage and management costs should be reassessed to determine whether and/or what should be done to meet this criteria.

Recommendation — the City should consider longer term options for outside funding or collaboration to create the capacity for on-going records management. Participation in joint programs to digitize records or the development of an in-house project that would qualify for a student intern through the Local Government Academy may be beneficial.

RISK MANAGEMENT

Standards for Effective Local Government — Eighteen standards are distributed across four categories: municipal risk management policy, risk identification, risk evaluation and risk treatment. The standards provide a perspective of the City's property, professional and municipal liability and workers' compensation insurance.

Met, Effective — nine standards: the City has a comprehensive risk management program, appointed a risk management officer, identified and analyzed its risks, a risk management records system, a formal incident reporting system, insurance coverage based on obtaining the lowest possible cost from an entity that is financially sound and capable of being responsive to municipal clients, formal operating procedures for the risk management program, an employer-employee loss control committee that oversees safety training focused on reduction in employee injuries and financial losses for the employer, and risk retention based on the least cost principle of securing maximum protection.

Not Met — six factors: the City uses risk avoidance to stave off exceptional liabilities, funds the risk management program sufficiently to meet the worst potential claims and provides stable funding over time, has a risk evaluation that measures degrees of loss based on frequency and severity, has a risk audit and evaluation performed by an outside expert prior to insurance renewals, insurance renewals preceded by a risk assessment, and has a risk management program rooted in avoidance, reduction, transfer and retention.

No Response - three standards: the governing body has adopted a risk management program; risk reduction actions are comprehensive and include ways to minimize legal actions from torts, fraud and frequency of accidents; and the City has a formal internal control to protect against waste, fraud and abuse.

Recommendation — the City should review the three items that had no response to determine whether action is necessary.

Recommendation — municipalities tend not to have aggressive risk management programs. Attention each year generally focuses on obtaining required insurance coverages at the least responsible cost. From the outcomes related to the risk management assessment, two recommendations are made: the City should issue an RFP for professional services for a formal evaluation of its risk management program and insurance coverages or seek technical assistance through the DCED peer program to undertake a risk management program assessment. The consultant or peer should use the results of the evaluation to develop specifications for the City's property and liability insurance coverages. The evaluation should also identify actions necessary to strengthen the City's risk management program.

Recommendation — the City should seek an EIP implementation grant or request a DCED peer consultant to support a professional risk assessment.

CODE ENFORCEMENT

The Building and Codes Department in Warren handles the Building and Uniform Construction Code (UCC) for the City and eight other municipalities including Clarendon, Cherry Grove, Conewango, Glade, Mead, Pine Grove, Pleasant and Sheffield. The department also administers the Property Maintenance Code (IPMC), and health and food inspections for the City. In addition, the department provides support to the Property Maintenance Code Board of Appeals and the Uniform Construction Code Board of Appeals.

The department currently is staffed by a building code official (Director of the Building and Codes Department), a planner/development administrator, a health officer, four employees who are UCC inspectors, code officials and/or plan reviewers; and one secretary. The department operates Monday through Friday, 8:30 a.m. to 4:30 p.m. Its website is well developed and effectively presents considerable information about the work of the department and the forms that citizens and businesses use to conduct business with the City.

City officials indicated provision of UCC and IPMC services could be expanded to other communities with additional staff. Codes personnel attend training regularly to maintain certifications and keep current with codes. Personnel are also cross trained and departmental job descriptions are current.

Codes personnel actively assess properties in the City for code violations. Complaints made to the department by the public are assigned to a code official for follow-up. Freedom software tracks IPMC activity and generates monthly reports.

Standards for Effective Local Government — the assessment for code enforcement covers two areas: building, property maintenance and fire codes, and code enforcement and enforcement personnel. All eight factors related to Code Enforcement were assessed as “Met, Effective.”

Met, Effective

- **Building, property and maintenance codes:** the City has adopted the Uniform Construction Code (UCC) by ordinance; building, property maintenance codes are reviewed and updates are formally adopted by the City; the City has a procedure for following through on complaints about code violations; and there is an appeals process for those affected by code enforcement actions.
- **Code enforcement and enforcement personnel:** code enforcement personnel are certified to enforce building, property maintenance and fire codes; codes are enforced and the duties of code enforcement personnel are established in writing; code enforcement personnel are held accountable through reporting procedures and field supervision; and code enforcement personnel participate in training and development to maintain their UCC certifications.

Recommendations —

- Prior to expanding services to other communities, the City should conduct a cost/benefit analysis to determine whether the current cost of providing UCC services to the eight communities is fully supported by the fees received for services rendered.
- City should continue the following: training appropriate to support inspection responsibilities and maintain required certifications, review of code provisions and adoption by Council of recommended amendments, support for supervisory monitoring of open files/cases, and updating of the Freedom software modules used by the department. In addition, the City should ensure that the Board of Appeals is fully staffed.
- The City should be commended for its attention to the adoption and enforcement of IPMC. Property maintenance for older communities is essential to sustain their value and viability.

PLANNING, ZONING AND DEVELOPMENT

The City's planner/development administrator is responsible for the City's planning, zoning and development activities and provides administrative support to the Zoning Hearing Board, the Planning Commission and several other development/redevelopment boards and committees. The planner/development administrator also serves as the City's grant administrator.

The City's comprehensive plan was completed in 2000. Other documents that govern the City's planning, zoning and development function are the zoning ordinance and the subdivision and land development ordinance. In October 2017, the City completed a downtown strategic plan that focuses on the revitalization of the downtown commercial area. The process was highly interactive and results are expected to be implemented in segments through public-private endeavors rooted in the recognition of existing assets.

The City coordinates with the Warren County Planning Department and Zoning Office to meet the requirements of the Municipalities Planning Code. City departmental personnel receive appropriate training and proactively monitor and enforce regulations. Various materials are available to the public through the City web site and other means to assist them with the permitting and hearing process.

Standards for Effective Local Government — Twenty-four standards under Planning, Zoning, and Development relate to the Planning Commission and Zoning Hearing Board; land use policies; plans and regulations; procedures governing fees and permits; building, property maintenance and fire codes; and code enforcement and enforcement personnel. Twenty-one were assessed as “Met, Effective,” while three were evaluated as “Met, Ineffective.”

Met, Effective — 21 standards: the creation of a planning commission and zoning hearing board; the appointment of competent board and commission members; the adoption of subdivision and land development ordinances; the infrequent issuance of exceptions to the zoning ordinance; competency and merit based appointment of the zoning officer; clearly fixing responsibility for the monitoring and enforcement of the zoning ordinance; adoption of a comprehensive fee schedule; provision of a comprehensive checklist to citizens, developers and contractors to guide the permitting and hearing process; location of information and the permitting and inspection processes within one easily accessible office; on-going participation by zoning hearing board and planning commission members in training and educational programs and sufficient annual budgetary allocations for the planning commission and zoning hearing board to retain outside legal counsel and transcription services.

Met, Ineffective — three standards: the City has adopted a comprehensive plan, takes action to update the comprehensive plan every 10 years, and the City has adopted a zoning ordinance that conforms to state statutes and the Municipalities Planning Law.

Recommendation — three standards characterized as “Met, Ineffective” acknowledge the need to update the City's comprehensive plan, zoning ordinance and zoning map. The current comprehensive plan is well beyond its useful life based on best practices. The City expects to retain a consultant to assist with the planning process who will focus on the development of an

implementable comprehensive plan that is developed through a collaborative effort of elected officials, community leaders and citizens. A principal goal of the plan is to achieve local ownership and a commitment to implementation by focusing on real, relevant community issues; organizing the plan the way local officials and citizens think; devising practical and workable recommendations; and recruiting partners to create the capacity for implementations. The zoning ordinance and zoning map will be revised to reflect changes in the comprehensive plan. Phase II EIP funding to support a new comprehensive plan, zoning ordinance and zoning map should be sought from the PA Department of Community and Economic Development.

Recommendation — those involved with planning and zoning functions are conscientious in fulfilling their responsibilities. Attention to practices that contribute to and strengthen the community's actions in these areas should be maintained in the short and longer term.

Recommendation — coordinate EIP and other grant opportunities to support recommended EIP projects.

Recommendation — explore the potential for an intern to assist with the comprehensive plan and zoning ordinance update and grant research and development. The Local Government Academy summer internship program is one source of potential students. PASSHE universities with regional planning programs may be another source of graduate and/or undergraduate students.

PARK AND RECREATION PROGRAMS

The City of Warren has an extensive park system comprised of the 20-acre Betts Memorial Park, a center of activity with the municipality; three community playgrounds that host a six-week summer program for children 7-14 years of age; a municipal pool under the management of the Warren County YMCA; the Beaty Skate Park for local enthusiasts; and 13 passive parks scattered across the City. The City also provides programming such as the summer Friday night concerts at Soldiers and Sailors Park.

The staffing and work of the City's recreation board are under the responsibility of the Director of Codes, Permits and Recreation Services. Candidates for playground employment are selected and evaluated by an Administrative Assistant and the Director of Codes, Permits and Recreation. Grant applications for recreation services are developed by the Grants Administrator who works in conjunction with the Director of Recreation Services. Park playground supervisors are monitored on a daily basis by a supervisor who has daily contact with the Recreation Services Director. The director also makes regular site visits to the parks. Playground personnel undergo annual training by human resources, police, fire, public works and school district personnel. Training videos are also part of the program.

Park and Recreation Board minutes are shared with Council on a regular basis. The commission meets every two months to provide oversight and direction for the use of park and playground facilities. The commission, which currently has no vacancies, receives regular reports on park and playground activities. The commission acts in accordance with bylaws approved by council.

Standards for Effective Local Government — the standards related to Parks and Recreation Programs are personnel selection, supervision, training, reporting and the Recreation Board. Six standards are related to Parks and Recreation; all were assessed as “Met, Effective.”

Met, Effective

Personnel selection, supervision, training, reporting — Recreation program staff are selected on merit through an open and competitive process, all parks and recreation program personnel are supervised on a routine basis, all personnel associated with recreational programming participate in training and municipal officials receive reports on the status of park and recreation programs and activities.

Recreation Board — the recreation board is appointed by Council, and recreation board by-laws approved by Council provide operating procedures and define the board's scope of responsibilities.

- There are no recommendations for Park and Recreation programming.

CHAPTER 10 OBSERVATIONS AND RECOMMENDATIONS

Introduction

The City of Warren faces challenges ahead as projections indicate that its General Fund expenditures will outpace General Fund revenues, resulting in annual deficits. Meanwhile, the City's unrestricted 2017 Fund Balance for the General Fund (latest available) would be depleted by at least 2020 if those monies were used to eliminate the anticipated deficits. Clearly, the City needs to examine appropriate expenditure reductions and potential revenue increases to mitigate these anticipated deficits.

The Fire Department is one major cost center that the City should thoroughly review to achieve consensus on the Fire Department's appropriate mission. Currently, the Fire Department has the largest personnel expenditures of any City department at over \$2.1 million or 38 percent of total 2019 personnel costs. In comparison, police, the next largest personnel expenditure, was \$1.6 million or just under 30 percent of total 2018 personnel costs. Moreover, while it could be assumed that the Fire Department's main mission is fire suppression, the data shows that the bulk of calls in the Fire Department (over 85 percent) are related to EMS rather than fire (less than two percent). The large volume of EMS responses has the potential to severely limit the ability of the Fire Department to provide an effective firefighting response because of the amount of staffing and resources dedicated to EMS. There are also indications that the sizeable amount of EMS activity is negatively impacting the amount of firefighting training. Another issue is the large amount of EMS responses by the Fire Department that are in surrounding municipalities.

It is unclear if the City made a deliberative decision to pursue this extensive level of EMS activity. Regardless, given projected General Fund deficits and the fact that the Fire Department has the highest overall personnel expenditures in the City, the City should review the current level of departmental activities and decide on the amount of fire protection and EMS services that it wants to provide. Once that determination is made, the City should align the Fire Department accordingly. In particular, the City should ensure that it is being properly reimbursed for EMS services and that it is not subsidizing the service to the benefit of other municipalities.

The City's General Fund has been subsidizing parking operations, which is likely to continue to some degree unless steps are taken to increase parking revenues and stabilize the system. As noted in Chapter 6: "The current rate structure in the City is inadequate to support all

costs associated with the parking system. This imbalance is compounded by the costly problems associated with the Clark Street Garage. As a result of this imbalance, Warren has been using its General Fund to subsidize Parking Fund costs including debt service, operating costs and overhead. In the absence of significant revenue increases, this situation will only get worse. The sooner the City begins to address this imbalance, the easier it will be and the better it will be for General Fund and Parking Fund financial operations.”

This report includes recommendations that are designed to address the parking system deficit. Ideally, parking would produce revenue for the City; however, those services should at a minimum break even and not contribute to potential future deficits.

Another area to explore is reimbursement to the General Fund from the Sewer Fund for any administrative or public works services that support sewer operations. The City should conduct a cost allocation study to ensure it is receiving the proper amount.

In addition, there are numerous suggested initiatives in terms of labor and collective bargaining that are designed to cut costs in the areas of health care, pension, overtime and more. The report also includes recommendations to strengthen City operations, such as updating and/or creating job descriptions and policies and procedures, and to bolster economic and community development, like crafting a new comprehensive plan and zoning ordinance.

The Pennsylvania Economy League advises the City to consider the recommended initiatives as outlined in the remainder of this chapter. Recommended target dates for initiatives are immediate, short term (one to two years) and long term (two years or more). Budget impact refers to the General Fund unless otherwise noted. PEL encourages the City to seek Early Intervention Program Phase II funding for initiatives as appropriate.

RECOMMENDED INITIATIVES

FIRE

FIRE 01:	Develop Ownership Driven Standards	
	Target Date:	Immediate
	Responsible Party:	City Council/City Manager/Fire Chief
	Budget Impact:	N/A

- The City should consider developing a strategic planning meeting that includes, at a minimum, the City manager and the fire chief, as well as a select number of City Council members, firefighters, citizens and community leaders. The meeting should be scheduled after the new fire chief has been hired and has an understanding of the day-to-day operations of the Fire Department.
- The objective should be to establish:
 - An understanding of City expectations versus the capabilities of the Fire Department (SR6 Recommendation 16 of educating municipal officials about the fire and EMS crisis and needs)
 - Should fire protection take priority over EMS response?
 - Should EMS response be a City service?
 - If so, should it be provided by less costly EMTs, leaving the firefighters to provide medical assists, while maintaining fire protection duties?
 - If not, is a regional EMS or a contract with Emergycare another solution.

FIRE 02:	Conduct a fiscal study of the cost of providing emergency medical services	
	Target Date:	Immediate
	Responsible Party:	City Manager/Fire Chief/Finance Officer
	Budget Impact:	Ensure proper revenue and expenditures

- The City should undertake an in-depth financial study of the actual costs of providing emergency medical services within the Fire Department.
 - Actual costs include:
 - Personnel costs, including benefits and overtime.
 - Cost associated with the billing of third party insurance.
 - Non-billable disposable equipment.
 - Capital replacement costs for the ambulances and equipment.
 - One ambulance in service is a 2008 model with over 35,000 miles. However, ambulance replacement does not appear in the capital list through 2023.
 - Review EMS billing.
 - Annual subscription rates for individuals and families (households).

- Are they consistent with other subscription rates in the region?
 - Are they sufficient to assist with offsetting costs?
 - Are they compliant with Medicare requirements (collections versus write-offs)?
- Review rates for mileage and other legally allowable billable expenses.
 - Review the billing agreement with ARS to determine the amount of reimbursements versus the cost of services. While medical billing and coding is a specialized field, the City should review to see if this can be brought in-house or if it would benefit the City to prepare a Request for Proposals/Qualifications (RFPQ) to review its options for cost effective billing.
 - Review the billing arrangements with Emergycare to ensure the City is receiving the proper reimbursements for BLS transport services and billable items.

FIRE 03:	Place the second ambulance out of service	
	Target Date:	Immediate
	Responsible Party:	Fire Chief
	Budget Impact:	Expenditure reduction

- Possessing an ambulance does not mean it must be made available for daily service. Many EMS organizations have several ambulances for various activities and for backup units.
- When the first ambulance is on a call, dispatch the fire department as a QRS on any EMS calls within the City.

FIRE 04:	Meet with the surrounding municipalities where volunteer EMS companies are failing to respond	
	Target Date:	Short Term
	Responsible Party:	City Manager/Fire Chief
	Budget Impact:	Potential revenue increase or expenditure reduction

- Explain the negative impact that responding to a high volume of calls outside of the City has on cost, training and provision of fire services within the City. Emphasis that the City cannot continue to absorb these costs and in effect subsidize the surrounding municipalities.
- Discuss the shortcomings of the regional EMS plan, including the fact that volunteer companies are not following the protocols and the negative impact that has on the City and Warren County as a whole.
- Stop accepting subscriber reimbursement as full payment when responding to EMS calls in surrounding municipalities. Bill the patient for the costs not covered by insurance.
- Consider an EMS service fee to be paid by the neighboring municipality or EMS provider when Warren Fire EMS responds for mutual aid due to a provider failing to respond.
- Consider billing for non-transport EMS calls in surrounding municipalities. These are for dispatched calls where patients refuse transport.
- Discuss regionalizing EMS services, whether the City provides this service or it involves the creation of a regional EMS commission or board for governance.
 - If the City assumes the lead, it would be fiscally prudent to create an EMS division/bureau staffed with less expensive EMTs.

FIRE 05:	Consider establishing a separate EMS bureau/division within the City or within the Fire Department	
	Target Date:	Short Term
	Responsible Party:	City Manager/Fire Chief/Finance Officer
	Budget Impact:	Potential expenditure reduction

- Staffing would be provided by lower cost EMTs.
 - EMTs could be Fire Department employees, which would probably require a reopening of the current CBA.
 - The City could make a separate EMS Department outside of the Fire Department’s span of control, which would not impact the CBA.
- This would not impact the current staffing required by the CBA for fire protection.
- The City’s labor attorney should be engaged to provide guidance so as not to violate the CBA

FIRE 06:	Develop a long term capital plan in coordination with the City manager	
	Target Date:	Short Term
	Responsible Party:	Fire Chief/City Manager/Finance Officer
	Budget Impact:	Relieve pressure on the General Fund

- Provide the City administration with cost estimates and a hard schedule by year of equipment that needs to be replaced. The current schedule uses a date range.
- Prepare and provide to the City administration a list of major equipment including Engine 3, Tower 1, firefighter turnout gear, radios, etc. This will allow the City to better plan for future expenditures as these items need to be replaced.

FIRE 07:	Undertake a study of the fire experience and staffing levels appropriate for the City of Warren.	
	Target Date:	Long Term
	Responsible Party:	Fire Chief
	Budget Impact:	Align expenditures to appropriate staffing

- The study should be a collaborative effort with other municipalities focusing on:
 - The City of Warren and the provision of fire protection services to the City.
 - Staffing levels with EMS
 - Staffing levels without EMS
 - The City of Warren and surrounding municipalities
 - Staffing based on the number of municipalities and the response area.
 - Potentially staffing personnel in volunteer stations to assist with responses.
 - The City and County of Warren, involving the County as a partner to assist in addressing the volunteer crisis
 - Staffing based on the placement of career personnel in strategically located volunteer stations to assist with responses on a county-wide basis.
- Review the appropriate model(s) for provision of a regional fire protection plan.
 - Mutual/automatic aid and the appropriate agreements.
 - Fee-based, to include the cost of personnel and the depreciation of City apparatus incurred by these responses.

FIRE 08:	Increase the use of technology to assist responding personnel with critical information prior to arrival and during an incident	
	Target Date:	Long Term
	Responsible Party:	Fire Chief/City Manager
	Budget Impact:	N/A

- The City is working on GIS mapping of its combined storm/sanitary sewer system and other infrastructures. This information should be available to the on-duty staff in the apparatus via computers or tablets.
 - During a hazardous materials spill/incident, the information would allow responding personnel to get ahead of the contamination prior to it entering the treatment plant.
 - The information can assist with hydrant locations and water main shutoffs in emergencies.
 - Additional layers and information can be added that would assist first responders, such as building plans, hazardous material or other hazards that are found during inspections.
- Technology in the fire apparatus allows access to up-to-date hazardous materials databases.
- Depending on the technology being used by Warren County Communications, EMS will be able to obtain patient information through a Computer Aided Dispatch (CAD) interface with a computer or tablet in the ambulance.
- CAD interfaces could also potentially populate EMS and fire reporting software with critical information, saving personnel cost in completing reports.

FINANCE

FIN 01:	Conduct a cost allocation study for wastewater and parking expenditures.	
	Target Date:	Immediate
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	Proper revenue allocation

- The City currently transfers money annually from the Wastewater and Parking Funds to defray General Fund expenditures related to wastewater and parking.
- The City should conduct a cost allocation study to ensure that it is transferring the proper amount.

FIN 02:	Consider increasing the real estate transfer tax	
	Target Date:	Immediate
	Responsible Party:	City Council
	Budget Impact:	Potential revenue

- As a home rule municipality, the City is not subject to caps on the real estate transfer tax rate. However, the current real estate transfer tax for the City remained at the state Act 511 limit of 0.5 percent.
- The City should consider appropriate increases to the real estate transfer tax rate. For example, if the City had doubled its real estate transfer tax rate in 2016, the deficit for that year would have been eliminated and the deficit in 2017 would have been considerably reduced.

FIN 03:	Approach Warren County about conducting a property reassessment	
	Target Date:	Long Term
	Responsible Party:	City Council
	Budget Impact:	Tax base stabilization

- In the Commonwealth, counties are generally responsible for conducting property reassessments that determine how much revenue a municipality receives for each mil of taxes. However, there is no state requirement concerning reassessments, essentially leaving the decision of when to reassess up to the counties themselves. Counties are generally disinclined to reassess because of cost and political considerations.
- Warren County’s last reassessment was in 1989. From 2001 to 2016, the City’s assessed value grew by only 0.63 percent, while market value as calculated by the State Tax Equalization Board (STEB) increased by 36.7 percent. During that time period (2001-2016), the City’s assessed value declined in 10 out of 15 years; market value declined in three out of 15 years. In 2016, the City’s assessed value was only 37.5 percent of STEB market value.
- There are numerous consequences to outdated property assessments. First, outdated assessments often result in higher millage rates that can scare off businesses, particularly when adjacent counties have recent assessments that allow them to maintain lower

millage rates. The relative values of both rates may be the same but the perception of a higher millage is a drawback.

- Outdated property assessments also invite appeals, particularly by large, highly valued businesses. Warren City has noted that a high number of appeals have contributed to lowering its assessment value. The reduction of property assessment value can mean an increase in inequity for other property owners, loss of revenue to the City and destabilization of the tax base.
- Finally, older assessments are a disincentive for new construction and renovations, which often bear a higher assessment that is more reflective of market value.
- Considering the age of the assessment, the high number of appeals cited by the City, and the gap between market and assessed value, it is recommended that the City discuss the possibility of a property reassessment with the County.

FIN 04:	Consider reducing the number of detailed expenditure account lines. (See MANAGE 09)	
	Target Date:	Immediate
	Responsible Party:	Finance Department
	Budget Impact:	Provides better ability to analyze finances

- The very large number of expenditure line items (2,093) creates a complex accounting system that is difficult to analyze and understand. In particular, the detailed sub breakdowns within departments do not seem to provide substantial benefits.

FIN 05:	Consider ending the practice of including taxes as a departmental revenue	
	Target Date:	Immediate
	Responsible Party:	Finance Department
	Budget Impact:	N/A

- Taxes are a revenue stream for the municipality as a whole. To delineate them as within a particular department may be confusing for City department heads and the general public.

FIN 06:	Provide more detailed information on transfers	
	Target Date:	Short Term

	Responsible Party:	Finance Department
	Budget Impact:	N/A

- The City has a considerable number of transfers into the General Fund from other City funds and transfers out of the General Fund to other City funds. It would be helpful to provide the source and use of the transferred amounts. This will promote more understanding of the City’s various funds (Parking, Wastewater, etc.) and how they interact.

FIN 07:	Take advantage of PML training and other assistance for EIP communities (See MANAGE 17)	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	Improve budget process

- The City will receive a full day of financial training under the provisions of this EIP but should continue to look for future training opportunities.
- The Pennsylvania Municipal League provides a 20-week, webinar based training in the areas of Communications, Finance, Labor Relations, Planning and Technology. The fee for the course is \$750 but that is reimbursed for municipalities that undergo an EIP study. Information is available here: www.pamatc.org
- PML also has a municipal internship program that gives preference to EIP municipalities. Information is available here: www.pamip.org

ECONOMIC DEVELOPMENT

ED 01:	Develop strategies to maximize opportunity zones	
	Target Date:	Immediate
	Responsible Party:	City Manager/Planning Department
	Budget Impact:	N/A

- The Tax Cuts and Jobs Act of 2017 created an opportunity zone incentive that provides for significant capital gains tax relief for investment in designated census tracts. These census tracts have historically seen significantly less investment than the national average. Two census tracts in the City have been state designated as opportunity zones.

- The City, working with local partners including County government, civic leadership, and the local business and philanthropic community, should develop approaches to attract potential opportunity zone investors.
- PEL can advise the City and its local partners on productive strategies that can be used to compete for these project investments including recommending methods to expedite processes, such as potential zoning changes that could make the parcels more attractive, and options to fund the local efforts.
- PEL staff has specific expertise in the area of opportunity zones, having worked closely with Senator Cory Booker, one of the two lead congressional sponsors of the program, along with governors, mayors, and dozens of other community leaders, on the development of the program and, ultimately, the designation of zones in several states.
- Since census tract designation, PEL staff has begun working with a small group of cities and states around the country in order to develop implementation strategies that will not only help set their zones apart from the other 8,700 spread across the country, but meet rigorous inclusive development standards, create good jobs, and engage "side-lined" local individual and corporate capital.

LABOR

LABOR 01:	Explore additional avenues for containing health care costs	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Expenditure control

- Although the City has successfully obtained gradual increases in the employee health care contributions, the contributions for all groups of employees are flat dollar amounts.
- It would be beneficial to base at least part of the employee health care contribution on either a percentage of premium (i.e., 10% of the premium cost) or a percentage of the increase in premium cost (for example, 15% of the cumulative increase in premium cost since base year 2015).
- The City should continue seeking increases in its employee health care contribution levels. The City’s union-represented employees contributed approximately 8.76% of family coverage costs in 2017.

- The City has controlled plan costs by gradually increasing deductibles in the past two rounds of collective bargaining. The City should continue to seek deductible increases in the future.
- Particular care should be taken to avoid the Affordable Care Act’s Cadillac Tax, which is set to take effect in 2022. The tax will be imposed on the amount of the employer-sponsored coverage that is over the Cadillac Tax threshold. The City currently has good contractual language requiring its unions to discuss ways of reducing costs to avoid the tax in the event that the City receives notice that it will be subject to the tax. Until and unless the Cadillac Tax is repealed, the City should resist any union efforts to delete this contractual language.

LABOR 02:	Seek amendments to police pension benefits through collective bargaining	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Potential expenditure reduction

- Although there are legal restrictions on amending pension benefits for current employees, collectively bargaining for changes that would make the Plan more sustainable with respect to new hires should continue to be pursued.
- Potential changes for new hires include basing the pension benefit calculation strictly on base wages rather than W-2 earnings; eliminating the Cost of Living Adjustment (“COLA”); eliminating lump sum payments, such as payments for unused sick leave, from the pension benefit calculation; and re-implementing 50 as the retirement age.
- In addition, the Police Collective Bargaining Agreement should be amended to require that pension contributions will be maintained at the highest level permitted by law, as opposed to the approximately 2% of wages contribution that officers currently pay.

LABOR 03:	Maintain control of Other Post Retirement Benefits (OPEB)	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Potential expenditure reduction

- The City incurred considerable costs for post-retirement health care in the past. The City has since eliminated post-retirement health care for new hires and many of the retirees who were eligible to receive benefits have reached the end of their eligibility. The City should guard against any attempt to reinstate post-retirement health care benefits.
- The City incurs considerable costs with respect to payments for unused sick leave at the time of retirement, either in the form of lump sum payments or in the case of allowing firefighter employees to use their remaining sick days immediately prior to the employee’s retirement date. In the next round of collective bargaining, the City should seek to eliminate these costly options, at least with respect to new hires.

LABOR 04:	Continue a two-tier approach in collective bargaining	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Potential expenditure reduction

- Employers generally have seen more success in implementing changes that only impact new hires.
- Although they are not atypical, the City’s wages and paid leave amounts are at very generous levels. In the future, the City should attempt to make these benefits more sustainable by seeking reductions in the level of wages and benefits for new hires, setting them at more maintainable levels.

LABOR 05:	Explore regionalization opportunities	
	Target Date:	Long Term
	Responsible Party:	City Manager/Department Heads/City Council
	Budget Impact:	Potential revenue

- There are occasions now where City firefighters respond to fires or medical emergencies in nearby communities under the City’s current mutual aid arrangements with other municipalities. Similarly, the police department at times provides back up on calls in other municipalities.
- Currently the City receives no funding for the activities it supports in other communities. Regionalization of police, fire and emergency medical services could be a potential way

to recoup some of the costs of providing services outside of the City, which are currently unreimbursed with the exception of billable emergency medical services.

- It should be noted that regionalization is sometimes considered but not implemented because it would actually increase costs, so the City should very carefully explore and consider the potential costs of any regionalization of services.

LABOR 06:	Establish a Civil Service Commission	
	Target Date:	Immediate
	Responsible Party:	City Manager/City Council
	Budget Impact:	N/A

- It is advisable for the City to establish a Civil Service Commission and adopt a set of Civil Service Rules and Regulations that are consistent with the Third Class City Code requirements.
- The City’s Personnel Code outlines a procedure for hiring and appealing disciplinary decisions that in some ways mirrors the applicable civil service requirements. However, there are critical differences between the Personnel Code and the Third Class City Code provisions.
- Because the Personnel Code does not track statutory civil service requirements, the City should establish a Civil Service Commission with three regular members and three alternates, all of whom are not City employees, officials or officers, to oversee the police and firefighter hiring process.
- The City Council will have the option of hearing civil service appeals or designating the Civil Service Commission by ordinance to hear appeals. Civil Service Rules and Regulations that comply with the statutory requirements should also be adopted by the Commission and approved by Council.

LABOR 07:	Update employment policies and job descriptions (See MANAGE 04 – 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/HR Administrative Assistant
	Budget Impact:	N/A

- The City has a number of critical policies, including a sexual harassment policy and Family and Medical Leave Act policy, in place. Because the last comprehensive review of the City personnel policies took place a number of years ago, the City should continue with its intention to review and update its policies in the near future and provide training to employees and supervisors where appropriate.
- Job descriptions for each position should be reviewed and updated and revised, as necessary, at least every two years. It is important that all job descriptions are accurate for many reasons, including aiding in the handling of the accommodations process under the American with Disabilities Act and bolstering defenses against liability.
- Likewise, using the same time frame, the City should review each job description to ensure that each position’s classification as Fair Labor Standards Act (“FLSA”) exempt or non-exempt position is accurate and that the employee is being compensated correctly under the FLSA.

LABOR 08:	Seek changes to overtime	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Expenditure reduction

- The Fair Labor Standards Act requires employers to make overtime payments in weeks where a non-exempt employee works 40 or more hours. It does not require overtime pay for working more than 8 hours in a day. In addition, the FLSA regulations permit employers to adopt higher overtime thresholds based on a designated work period ranging between seven and 28 days. For example police officers can work up to 43 hours in a week or up to 171 hours in a 28 day work period without earning overtime pay.
- Police currently receive overtime if they work over 40 hours in a week and even if they work over 8 hours in a day. Public Works employees receive overtime pay if they work more than 8 hours in a day, which is not required by the FLSA. In future collective bargaining the City should seek to eliminate daily overtime and to implement the higher law enforcement overtime threshold for the police.

LABOR 09:	Consider additional use of part-time employees and seek to eliminate
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	minimum staffing in the Fire Department (See FIRE 03)	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	City Manager/Labor Attorney
	Budget Impact:	Expenditure reduction

- Part-time employees can provide a considerable amount of scheduling flexibility and can help to reduce overtime costs, particularly in 24/7 operations like police and fire departments.
- The City should seek to eliminate the 17 firefighter minimum force size requirement if it remains in place after the current round of Act 111 interest arbitration.
- The City should maintain flexibility to determine its staffing needs based upon the circumstances and finances and the need to reduce overtime costs.

PARKING

PARKING 01:	Solicit engineering options for the Clark Street Garage	
	Target Date:	Short Term
	Responsible Party:	City Manager
	Budget Impact:	Reduce General Fund spending on parking

- Consider soliciting ideas, qualifications and proposals (RFQ/RFP) that would include options for the Clark Street Garage from an engineering standpoint including: feasible short term capital improvements that could delay the need to demolish and rebuild the garage, alternative locations to build a new garage, and alternative financing proposals such as private funding and turnkey construction.
- Extending the useful life of the garage, along with identifying alternative properties and funding, might allow parkers to remain in the Clark Street facility while the new garage is built.

PARKING 02:	Seek proposals for potential Clark Street Garage developers	
	Target Date:	Short Term
	Responsible Party:	City Manager
	Budget Impact:	Reduce General Fund spending on parking

- The City could seek proposals from teams of commercial real estate brokers, developers and parking syndicates. In addition, there are for profit and not for profit developers that might be able to acquire property, design, finance, construct and operate a new garage in a manner that shields the City from some risk.
- Analyze whether segregating the new garage from the system would be more sustainable for the parking enterprise and the City

PARKING 03:	Seek studies from national parking consultant	
	Target Date:	Short Term
	Responsible Party:	City Manager
	Budget Impact:	Reduce General Fund spending on parking

- Solicit a parking demand and rate study from a national parking consultant.
- Consider obtaining a parking financial feasibility study from one of the national parking consultants with respect to the Clark Street Garage and entire system.

PUBLIC WORKS

PW 01:	Study contracted services	
	Target Date:	Short Term
	Responsible Party:	City Manager/Public Works Director
	Budget Impact:	Potential expenditure decrease

- As previously noted the City spends a large amount on contracted Public Works services and wishes to explore whether it would be more cost effective to bring at least a portion of that work in house.
- The City should study the issue taking into account factors including overall personnel costs such as wages and benefits, as well as the expense of any potential equipment, whether the contracted services occur regularly enough to justify an increase in ongoing departmental expenditures, and similar considerations.

PW 02:	Consider options to gain more revenue from the municipal swimming pool to defray expenses	
	Target Date:	Short Term
	Responsible Party:	City Manager/City Council

	Budget Impact:	Potential revenue
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- The Municipal Pool, without consideration of depreciated expenses of capital assets, adds a net cost to the General Fund between \$70,000 and \$100,000 annually. The City may wish to absorb these costs as a policy decision in order to provide the service of a Municipal Pool to residents, particularly those who are low income. The City might also consider the following options in order to gain more revenue to defray pool costs.
- The City should examine increasing single admission and season pass rates for 2019 and beyond. Keep in mind that a significant increase could lead to a reduction in patronage that, on the whole, may reduce overall revenues at the extreme due to the substitution for other recreational activities. Suggestions include eliminating the Early Purchase rates structure and increasing rates approximately 35 percent.
- Furthermore, alternative revenue streams should be explored, such as permitting licensed food trucks to sell food and beverages in the facility or its parking lot for a fee.
- In addition, any significant future capital needs of the facility should, to the greatest extent possible, be funded by donations and grants from the Commonwealth and other vested entities.

MANAGEMENT ASSESSMENT

MANAGE 01:	Update the City’s comprehensive plan in cooperation with Warren County.	
	Target Date:	Immediate
	Responsible Party:	City Manager/Planner & Development Administrator
	Budget Impact:	N/A

- The current comprehensive plan is well beyond its useful life based on best practices. The City expects to retain a consultant to assist with the planning process who will focus on the development of an implementable comprehensive plan that is developed through a collaborative effort of elected officials, community leaders and citizens. A principal goal of the plan is to achieve local ownership and a commitment to implementation by focusing on real, relevant community issues; organizing the plan the way local officials and citizens think; devising practical and workable recommendations; and recruiting partners to create the capacity for implementations.

MANAGE 02:	Update the City’s zoning ordinance and map	
	Target Date:	Short Term
	Responsible Party:	City Manager/Planner & Development Administrator
	Budget Impact:	N/A

- The zoning ordinance and zoning map should be revised to reflect changes in the comprehensive plan under initiative MANAGE 01.

MANAGE 03:	Assess current code enforcement program and consider expanding services to other municipalities	
	Target Date:	Short Term
	Responsible Party:	Director of Codes/City Manager
	Budget Impact:	Potential revenue

- Prior to expanding services to other communities, the City should conduct a cost/benefit analysis to determine whether the current cost of providing UCC services to the eight communities is fully supported by the fees received for services rendered.
- The City should continue the following: training appropriate to support inspection responsibilities and maintain required certifications, review of code provisions and adoption by Council of recommended amendments, support for supervisory monitoring of open files/cases, and updating of the Freedom software modules used by the department. In addition, the City should ensure that the Board of Appeals is fully staffed.

MANAGE 04:	Update and/or develop appropriate policies and procedures (See LABOR 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/Department Heads
	Budget Impact:	N/A

- Assess the need for each department, board and commission to create procedures and policies to identify and describe its functions, services or activities and take appropriate actions.

- For example, under the finance area, the director indicated that the City does not have a purchasing policy. Questions to discuss include: Would it benefit the City at this time to develop a purchasing policy and formally adopt it as part of its administrative code? Will a purchasing code support the implementation of the EIP results?

MANAGE 05:	Develop a comprehensive personnel policy (See LABOR 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/HR Administrative Assistant
	Budget Impact:	N/A

- The City currently does not have a comprehensive personnel policy, while police and fire departments have individual policies. An organization-wide document is necessary to guide the human resources management process on a daily basis in a consistent and continuous manner. Should the City require assistance, it should request a DCED peer consultant.

MANAGE 06:	Develop an action plan to meet all human resource management standards (See LABOR 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/HR Administrative Assistant
	Budget Impact:	N/A

- Standards that were deemed ineffective or not met include: employment policies and procedures are ADA compliant; the municipality has a formal employee performance evaluation process and all employees are evaluated on an annual basis; supervisors responsible for performance evaluations are trained on appropriate and fair employee evaluation processes; and employees are involved in their performance evaluation process.
- Ensuring that employment policies and procedures are ADA compliant will require a review of existing documents and processes to determine where the City may not currently meet federal standards and revisions to bring policies and procedures into compliance. Taking action will also support the City’s risk management program.
- As part of employee performance evaluations, employees should work with their departmental supervisor to develop written goals and objectives that reflect the goals and

objections established by the City’s operation budget, capital budget and EIP recommendations. Discuss progress throughout the year and at year end.

- Employees should receive appropriate training to meet required jobs or tasks.
- Seek a DCED peer consultant or human resources consultant with public sector experience to assist as necessary. If outside assistance is desired, the City should seek DCED EIP Phase II funding.

MANAGE 07:	Update job descriptions (See LABOR 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/HR Administrative Assistant
	Budget Impact:	N/A

- Job descriptions should be reviewed and revised to reflect any change(s) in duties and responsibilities caused by the implementation of the EIP.

MANAGE 08:	Develop a multi-year budgeting process	
	Target Date:	Immediate
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	Improved annual budget process

- The EIP financial projection aspect will provide a general framework for the development of a multi-year general operating budget for the City of Warren. Gaining a full understanding of the nature and assumptions of the multi-year projections should serve as a foundation for the City’s staff to develop more detailed estimates using data and information such as recently negotiated employee collective bargaining agreements. The trend analysis recommended in the previous section would also contribute data and understanding to the revenue and expenditure estimating process.

MANAGE 09:	Assess the chart of accounts (See FIN 04)	
	Target Date:	Immediate
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	Improved annual budget process

- The City, as part of the development of a multi-year budgeting process, should assess the current chart of accounts and its application in the budgetary process. The current interim financial report is over 40 pages in length and appears to be too unwieldy to be a useful management tool. It is recommended that the City examine its current operating budget format and determine the necessity of retaining the existing format with its current level of detail.

MANAGE 10:	Evaluate current account software	
	Target Date:	Short Term
	Responsible Party:	City Manager
	Budget Impact:	Potential expenditure

- Once the City has established the budget format, it should determine whether the current accounting system software has the capacity to perform the desired functions. Should the software not meet the City’s needs, officials should consider software that is tailored to meet the needs of smaller communities.

MANAGE 11:	Implement recommended IT upgrades from Techworx	
	Target Date:	Long Term
	Responsible Party:	City Manager
	Budget Impact:	Potential expenditure

- The City’s servers, switches, firewalls and backup systems should be sufficient and remain within the expected product lifecycles if the City were to annually allocate an additional \$30,000 to \$40,000 towards IT for the next two to five years.
- The City should coordinate the IT recommendations with the recommendations for financial management software.

MANAGE 12:	Strengthen interim financial reporting	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	N/A

- Currently, the City prepares only quarterly reports and does not always complete a third quarter report due to the constraints of budget prep. Interim financial reports should be prepared and reviewed on a monthly basis. Monthly reports assure an appropriate level of monitoring and oversight by elected and appointed officials and provide a reasonable opportunity to make adjustments in response to variances between budget estimates and actual revenues and expenditures. The current quarterly schedule with the potential delay of the third quarter greatly diminishes the potential use and benefit of the report as a fundamental management tool.

MANAGE 13:	Make City Manager’s report more effective	
	Target Date:	Short Term
	Responsible Party:	City Manager/Department Heads
	Budget Impact:	N/A

- The manager should review reports from other communities to determine what types of revisions might be beneficial. Changes in expectations for staff input to the reporting process may also be necessary to increase the value of the manager’s periodic report to Council.

MANAGE 14:	Improve records management – Archival Records Digitization	
	Target Date:	Short Term
	Responsible Party:	City Manager/IT Provider
	Budget Impact:	N/A

- The City holds records that date back to at least 1832 including minute books, ordinances, resolutions, agreements, and zoning, subdivision and land use records and maps that should be electronically preserved.
- Many of the records are deteriorating with fragile pages and faded writing. The digitization of archival records and the development of an index system are necessary to ensure that the records may be reproduced as time continues to take its toll on the originals. Digitization coupled with off-site storage will allow the records to be reproduced in the event of a catastrophic event where the records are currently housed.
- The City should seek an individual or firm with expertise in digital preservation and archival records indexing to determine the best manner in which to digitize archival

records; develop an inventory system to identify archival records; and assist in securing digitization services.

MANAGE 15:	Improve records management – Short Term	
	Target Date:	Short Term
	Responsible Party:	City Manager/IT Provider
	Budget Impact:	N/A

- The City should work to accomplish the following records management standards: municipal records are easily accessible to elected and appointed officials and the public, the municipality has a policy that governs disposition of electronic records, and the municipality has a policy that governs the creation, maintenance and disposition of e-mail and routinely complies with the state’s records retention and disposition act. These standards, if not met, may pose a risk to the City on a continuing basis.

MANAGE 16:	Improve records management – Long Term	
	Target Date:	Long Term
	Responsible Party:	City Manager/IT Provider
	Budget Impact:	N/A

- Consider these record management standards for implementation in the long term if feasible. Develop:
 - A records management board
 - A reports control program
 - A file management program
 - An on-going program to determine when records go from active to inactive,
 - Official guidelines that govern translation of paper records to digital format in conformance with state recommendations
- The records management standard associated with having a correspondence control program designed to reduce paper, storage and management costs should be reassessed to determine whether and/or what should be done to meet this criteria.
- The City should consider longer term options for outside funding or collaboration to create the capacity for on-going records management. It may be beneficial to participate

in joint programs to digitize records or the development of an in-house project that would qualify for a student intern through the Local Government Academy may be beneficial.

MANAGE 17:	Bolster risk management efforts	
	Target Date:	Short Term
	Responsible Party:	City Manager/HR Administrative Assistant
	Budget Impact:	N/A

- The City should review the three risk management standards that had no response to determine whether action is necessary.
- The City should issue an RFP for professional services for a formal evaluation of its risk management program and insurance coverages or seek technical assistance through the DCED peer program to undertake a risk management program assessment. The consultant or peer should use the results of the evaluation to develop specifications for the City’s property and liability insurance coverages. The evaluation should also identify actions necessary to strengthen the City’s risk management program. The City should seek an EIP implementation grant or request a DCED peer consultant to support a professional risk assessment.

MANAGE 18:	Continue providing appropriate training (See FIN 07)	
	Target Date:	Short Term
	Responsible Party:	City Manager/Department Directors
	Budget Impact:	N/A

- The City is encouraged to provide on-site training and education for administrative staff and department directors in budgeting and capital planning to build the City’s capacity. The training should be tailored to support the implementation of the EIP’s recommendations.

MANAGE 19:	Implementation of EIP	
	Target Date:	Immediate
	Responsible Party:	City Council/City Manager/Department Directors
	Budget Impact:	N/A

- It is strongly recommended that a special workshop be held for the Council, manager and department directors to develop an implementation strategy for the EIP. The strategy should set priorities for the short and longer term and identify the elected and/or appointed officials who will be individually or jointly responsible for taking action. A commitment to publicly report on the progress of the EIP’s recommendations should be included as part of the strategy.
- The City should make an effort to educate the public through a formal discussion on the results of the EIP, making the EIP report accessible to the public by linking it to the City’s web site and working with the local media to provide information about the challenges the City faces and actions it will consider as choices are made to address the challenges.
- To facilitate interaction with the public and the media, the City should identify a spokesperson that will provide updates on the progress of the EIP’s implementation strategy.
- The City should, where possible and appropriate, apply for PA Department of Community and Economic Development grant funds to implement EIP initiatives.
- The City should develop an orderly and systematic time table for the recommendations it chooses to follow, set benchmarks to assess progress, and report to the legislative body on a periodic basis.

MANAGE 20:	Use service level analysis	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	Improved annual budget process

- The results of the EIP study may recommend changes in the functions and operations of the City. To determine the impact of changes that may be recommended, the City should become familiar with and use service level analysis. As resources are allocated, choices among service levels and their associated costs are more visible and clearly understood. Mt. Lebanon, PA for many years has used service level analysis to build the decision packages it works with to build its annual operating budget. Details are available on Mt. Lebanon’s web site.

MANAGE 21:	Attaining financial sustainability (Sustainable Pennsylvania)	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Department
	Budget Impact:	N/A

- The City intends to seek Sustainable Pennsylvania Community Certification, a project of the Pennsylvania Municipal League and Sustainable Pittsburgh. The recommendations below focus on the financial sustainability objectives of the program. The appropriate standard is given below along with the corresponding recommendation.
- Professional staff are employed or retained in the areas of budgeting and finance — the City is encouraged to conduct an open and competitive search for a professionally educated finance director when the position becomes vacant. Ideally, the city should seek an individual with a graduate degree in public administration and five years’ progressive municipal experience encompassing the five aspects (accounting/capital improvement and operating budgeting/debt administration/cash management and investments/auditing) of public sector financial administration.
- A revenue-expenditure trend analysis is conducted annually — the City should employ a summer intern through the Local Government Academy (LGA) to develop an Excel-based financial trend assessment system using DCED’s Financial Monitoring Workbook as the model. If the framework for the trend monitoring system and historical financial data are created, the City should be able to maintain the data base by adding current information at the end of each year. The goal is to develop 10 years of history to accurately assess and interpret revenue, expenditure, and demographic trends. The workbook can be downloaded for free from the DCED publications web site. Note: As an EIP community, Warren is entitled to receive favorable consideration from the LGA.
- Funds for capital-related borrowing are not used for day to day expenses — to assure that capital debt proceeds are not used to fund operating expenses, the City’s legislative body should adopt a policy that stipulates that funds from capital-related borrowing are used only for capital infrastructure, facilities, equipment and vehicles. (Sample formats for public sector financial policy statements are provided in Appendix C of this report.)

- Municipality routinely evaluates ability to ensure that revenue is sufficient to maintain public infrastructure, i.e., road, water, sewer, storm water (community has an asset management based budget system) — the development and implementation of a multi-year, capital improvements program will provide the policy/decision basis for the City to ensure that revenue is sufficient to adequately maintain its public infrastructure on a continuing basis.
- Obligations for pensions/other post-employment benefits are funded for the long-term to at least 80% — the City's 2016 financial audit report indicates that the City's police and non-uniformed employee pension plans on January 1, 2015, would meet these criteria, while the fire pension plan, which is funded at 67.6%, would not. At the end of 2016, the funded ratio was 0% for other post-employment benefits. The City could meet this criterion by increasing its funding of the fire pension plan, maintaining funding for the police and non-uniform plans and committing to fund OPEB. However, the City must consider whether it is in a financial position to fund OPEB at 80% versus the value of attaining this criterion. (The 2017 Financial Audit was not available when this report was written. The data for this criteria should be reviewed when the City receives the 2017 audit report.)
- Five to 10% of operating funds are carried over year to year — meeting this criterion would require the City to refine its revenue and expenditure estimating techniques. Revenue estimates would have to be more conservative and expenditure estimates more liberal than most communities would typically incorporate into their budgets. A more modest initial goal may be to strive toward ending the year with a 2.5% to 5% general fund surplus and over a period of years increase it to 5% to 10%. Note: The purpose of the 5% to 10% carryover is not clear. Generally, municipalities strive to achieve budget estimates that are within 2% to 5% of their actual revenues and expenditures with revenue being in excess of expenditures. Any fund balance at the end of the fiscal year then would be allocated to future capital improvements rather than fund general operations in a subsequent year. There is a need for clarification of this criterion before undertaking any implementation action.
- Taxation takes a balanced approach applicable to all sectors of municipal services provided and fees satisfy cost recovery — determining whether the City meets this

criterion would require an analysis of its current tax and fee structure as well as an evaluation of the total cost for services provided in exchange for a charge or fee. This would be an appropriate element for inclusion in any change in the operating budget process. Should the City conduct the necessary assessments to satisfy this criterion and find compliance, the legislative body should formally adopt a policy to institutionalize this approach.

- Green vehicle fleet assessment has been initiated toward using greener fuels and/or equipment with cleaner technology, or driver education about driving techniques for fuel economy — this criteria requires a City-wide “green” vehicle fleet assessment and commitment to using greener fuels and/or equipment with cleaner technology, or require employee driver education focused on driving techniques to achieve greater fuel economy. The City should contact the sustainable communities program to determine whether there is flexibility regarding fuels based on availability of options in the region.

MANAGE 22:	Review policy for hiring professional services	
	Target Date:	Long Term
	Responsible Party:	City Manager/City Council
	Budget Impact:	N/A

- The City in 2012 adopted *Policy and Procedure for Administration, Processing and Procurement of Professional Services Contracts* (Res. No. 2890).
- The policy should be reviewed to determine whether it meets the standard that municipal consultants/professional services are procured through a competitive and open process.
- The policy should also be formally incorporated into the City’s administrative code, which is accessible via the City’s web site.

MANAGE 23:	Use Government Finance Officers Association (GFOA) standards	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Department/City Council
	Budget Impact:	N/A

- Some of the standards assessed as not met can be addressed by adoption of best practices as described or defined by the Government Finance Officers Association. Copies of

proposed policy statements for consideration and adoption by the City for cash management, investments, and use of fund balance are available in the Appendix of this report.

MANAGE 24:	Develop a financial administration reference library	
	Target Date:	Short Term
	Responsible Party:	Finance Department
	Budget Impact:	N/A

- The City should consider developing a small library of reference materials to support changes in the City’s administrative and financial management functions. The books listed in Chapter 9 focus on internationally recognized best practices and processes. Each book is currently available in print or as a digital download.

MANAGE 25:	Continue to make appropriate web site improvements	
	Target Date:	Short Term
	Responsible Party:	City Manager/Webmaster
	Budget Impact:	N/A

- Continue to keep the information posted on the web site up-to-date. People will be more likely to use the web site if accurate information can be found to answer questions or obtain forms necessary to conduct business with the City.
- The City should add an aspect to the web site that presents the City’s history. It is an old municipality with a rich history, and the City should reinforce it with local residents.
- A menu item on the City’s web site dedicated to the EIP and the strategy the City develops to implement the recommendations should be added.

MANAGE 26:	Council-Manager-Staff Relationships	
	Target Date:	Long Term
	Responsible Party:	City Council/City Manager/Staff
	Budget Impact:	N/A

- Hold a special workshop/meeting to focus on aspects of the Council-Manager-Staff relationship reflected in the standards that were assessed as “Met, Effective,” “Not Met,” or “No Response.”
- Ideally, the session should be facilitated by someone familiar with the council-manager form of government, but not currently serving as an elected or appointed official in the City.
- Discussion should focus on two themes: the roles and responsibilities of elected and appointed officials in the policy and administrative processes, and development of the agenda for Council’s monthly public meeting.

POLICE

The following is a summary of recommendations found in the Police Report located in the Appendix. Please see the Police Report for complete details concerning these recommendations.

POLICE 01:	Current organization and staffing	
	Target Date:	Short Term
	Responsible Party:	Police Chief
	Budget Impact:	N/A

- Evaluate the current Span of Control. Span of Control for three patrol sergeants is three police officers. Note that there are shifts when a sergeant is not working.
- Insert Warren City Police Department specific data into the average officer annual man-hours located on pages 9 and 10 in the Police Report. Recalculate the formula for accuracy.
- Revisit the investigation of Part II Crimes and the methodology of Uniform Crime Reporting in an attempt to improve the clearance rate.
- Continue to routinely inspect policy, rules and regulations manuals for completeness and accuracy as it relates to re-accreditation by the Pennsylvania Chiefs of Police Association.
- Maintain the Department in accordance with the principles of organization as outlined in the Police Report

POLICE 02:	Evaluate Department effectiveness in field operations	
	Target Date:	Short Term
	Responsible Party:	Police
	Budget Impact:	N/A

- Although the Accident Enforcement Index (AEI) was exceptionally impressive during 2015, research, evaluate and consider the causal factors impacting the below optimum index during other years.
- Institute methods to move the AEI toward optimum.
- Collect, compile and analyze conviction data on criminal prosecutions.

- Include statistical information on crimes being investigated (followed up by a detective) on monthly and annual reports.

POLICE 03:	Management, technical and support services	
	Target Date:	Short Term
	Responsible Party:	Police Chief
	Budget Impact:	N/A

- Become familiar with and practice the Principles of Quality Leadership as outlined in the report.
- Review current Policy as it relates to developing a structure of organizational objectives. The structure must include objectives for the Department and for each unit. The objectives must specify the ultimate outcomes that the Department and the sub-divisional organizational units wish to achieve. The objectives must be measurable.
- Affix responsibility for the planning function in the job description of the Professional Standards for Lieutenant of Police.
- Review written directives on the planning and research function in comparison with the information provided in this area of the report.
- Prepare an agenda or inventory of planning and research needs. Special care must be taken to ensure that long-range needs are given due consideration.
- Prioritize items on the agenda. This should be a joint effort of the chief, captain, sergeants, and support staff.
- Formally adopt the inventory and the priorities on the work plan for the planning function.
- Publish a summary of the number, type and disposition of complaints only against officers in the Department’s annual report. The summary should not contain the names of any individual officers as that would be a personnel matter.

POLICE 04:	Personnel and training	
	Target Date:	Short Term
	Responsible Party:	Police Chief
	Budget Impact:	N/A

- Adopt and practice succession planning as discussed in the Personnel and Training section of the Police Report.
- Utilize the full range of training areas as described in the Personnel and Training section of the Police Report.

POLICE 05:	Facilities, vehicles and equipment	
	Target Date:	Short Term
	Responsible Party:	Police Chief
	Budget Impact:	N/A

- Conduct annual inspections to maintain an up-to-date inventory

POLICE 06:	Governing body – police department relationship	
	Target Date:	Short Term
	Responsible Party:	City Manager/Finance Administrator
	Budget Impact:	N/A

- Work jointly to develop a plan to meet the future financial and operational challenges facing the City and the Police Department.

APPENDIX A

A STUDY OF THE MANAGEMENT AND OPERATIONS OF
THE WARREN CITY POLICE DEPARTMENT

Conducted and Prepared by

W. Ronald Smeal
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June 2018

FOREWORD

This report presents the findings and recommendations of the Consultant's study of the management and operations of the Warren City Police Department, Warren County, Pennsylvania. Management studies, by their very nature, often appear somewhat negative and highly critical of current operating procedures. Since the objective is to look for ways to improve the delivery of police service, shortcomings must be addressed more fully than the positive aspects of police operations and procedures. Therefore, review of this report should be conducted with this understanding in mind.

The Consultant found the City officials, Manager, Staff, chief and members of the Police Department to be candid, polite and professional. For this, each deserves special recognition. With continued attention, careful study, and implementation of the major recommendations of this report, the Police Department should experience improved function and efficiency.

The police portion of this study was conducted by W. Ronald Smeal, Police Management Consultant and retired chief of Police of the Northern York County Regional Police Department in Dover, Pennsylvania.

The Consultant thanks the City of Warren for the opportunity to assist in exploring improvement opportunities of its police services. The cooperation extended to the Consultant is appreciated.

W. Ronald Smeal
Police Management Consultant

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INTRODUCTION

The purpose of this study was to conduct a management review of the Warren City Police Department in conjunction with the Pennsylvania Economy League (PEL). PEL was retained to conduct an overall in-depth Management Review of all City Departments. The review was to develop strategies to improve overall management effectiveness and efficiencies and to provide recommendations with ways to improve the City's long-term financial outlook. The review and recommendations were to explore the possibilities for the provision of inter-municipal services, regional cooperation, and inter-municipal cost sharing.

On Monday, November 27, 2017, W. R. Smeal, Police Management Consultant, met with the Chief of Police, Raymond Zydonik, Captain Jeffrey Zavinski and Sergeant Brandon Deppen. The meeting involved discussions about police operations, gathering data and information necessary to conduct the study.

Warren City in Warren County has a population of 9,710 as recorded in the 2010 census.

The Police Department has sixteen full-time sworn police officers. However, the chief resigned effective Friday, December 1, 2017 to become the District Justice. Sergeant Deppen was promoted to chief effective Monday, December 4, 2017, and the Department will be staffed with fifteen full-time officers. Currently, the staff of sworn officers is as follows:

- 1 chief
- 1 captain
- 3 patrol sergeants (one promoted to chief)
- 1 detective
- 10 patrol officers

There are two full-time and two part-time civilian employees as follows:

- 2 operations clerks
- 2 parking enforcement employees

Policies, practices, problems, issues and operations were evaluated as they relate to the principles that follow:

- **Management:** goals and objectives setting and evaluation, policy development, written directives, communications and coordinating mechanisms, and supervision.
- **Management Controls:** line inspections, staff inspections, and internal affairs.
- **Organization:** grouping of functions, chain of command, span of control, duplication and fragmentation of responsibilities.
- **Personnel Management:** promotion and performance evaluation.

- Education and Training: educational requirements for the appointment and promotion of members, educational incentives, and recruit, field, specialized, advanced, refresher, and remedial training.
- Patrol Operations: patrol methods and procedures, supervision, communications, vehicles, equipment, preliminary investigations, report preparation and review, shift structure and organization, and special enforcement operations.
- Staff Allocation and Distribution: number, temporal and geographical distribution of patrol personnel, and appropriateness of staffing levels in other units of the Department.
- Criminal and Special Investigations: case screening, case management, workload distribution, crime scene policies and procedures, shift structures, investigations policies and practices.
- Crime Analysis: types and frequencies of analyses, data collection procedures, analytical techniques, dissemination patterns, and feedback and evaluation.
- Records: report review, records controls, storage, maintenance, retrieval and retention, information security, privacy and access guidelines, and compliance with Uniform Crime Reporting (UCR) and auditing requirements.
- Data Processing: scope and nature of applications and reports, use and utility of reports, command and staff input to selection and design of applications and reports, information security, computer-literacy levels, and equipment adequacy and redundancy.
- Property Management and Evidence Control: issuing, accounting, and controlling agency-issued property, accountability for care and replacement, fleet management, marking, labeling, packaging, receipting, storing, accounting for and withdrawing found, recovered and evidentiary property, analysis of evidence.
- Planning and Research: long-range planning, proactive and reactive planning, status of planning in departmental hierarchy and quality of planning products.
- Legal Services: use of legal services, legal bulletins and information dissemination.

The study also examined the environment in which the Department now operates and is likely to operate in the near future including the incidence of crime, workload trends and population growth.

I: CURRENT ORGANIZATION AND STAFFING

patrol accounts for the biggest portion of police work in most police agencies. It is generally understood that the terms patrolling and on patrol generally refer to what officers do while not handling calls for service, mostly in patrol cars, but sometimes on foot, on bicycles, on horseback, or the like. While on patrol, officers may look for traffic violations, suspicious behavior, disorder, and unsafe conditions. They may also look for opportunities to interact with the public in casual or more formal situations.

The time police officers spend handling calls for service is also considered part of patrol work. Officers on patrol respond to calls, take reports, quell disturbances, etc. The combination of these two sets of activities – patrolling and handling calls – occupy most of the time of patrol officers, who in turn represent most of the personnel in the typical police department. Thus, patrol is the main business of policing and usually the largest unit in most police departments.

Warren City Police Department provides 24-hour service, seven days a week. The Department works eight hour shifts, with four officers per shift and a minimum of two officers a shift. The Department meets professionally accepted standards of educational achievement, recruitment and selection procedures, written and oral examinations, psychological, medical and drug screening, background investigation, basic and field training requirements, along with in-service training.

The Community Service officer provides the following specialty services:

1. D.A.R.E.
2. Car Seat Checks
3. Drug Take Backs
4. Alice Training
5. Red Star Bank Security
6. Explorer Post
7. Special Events

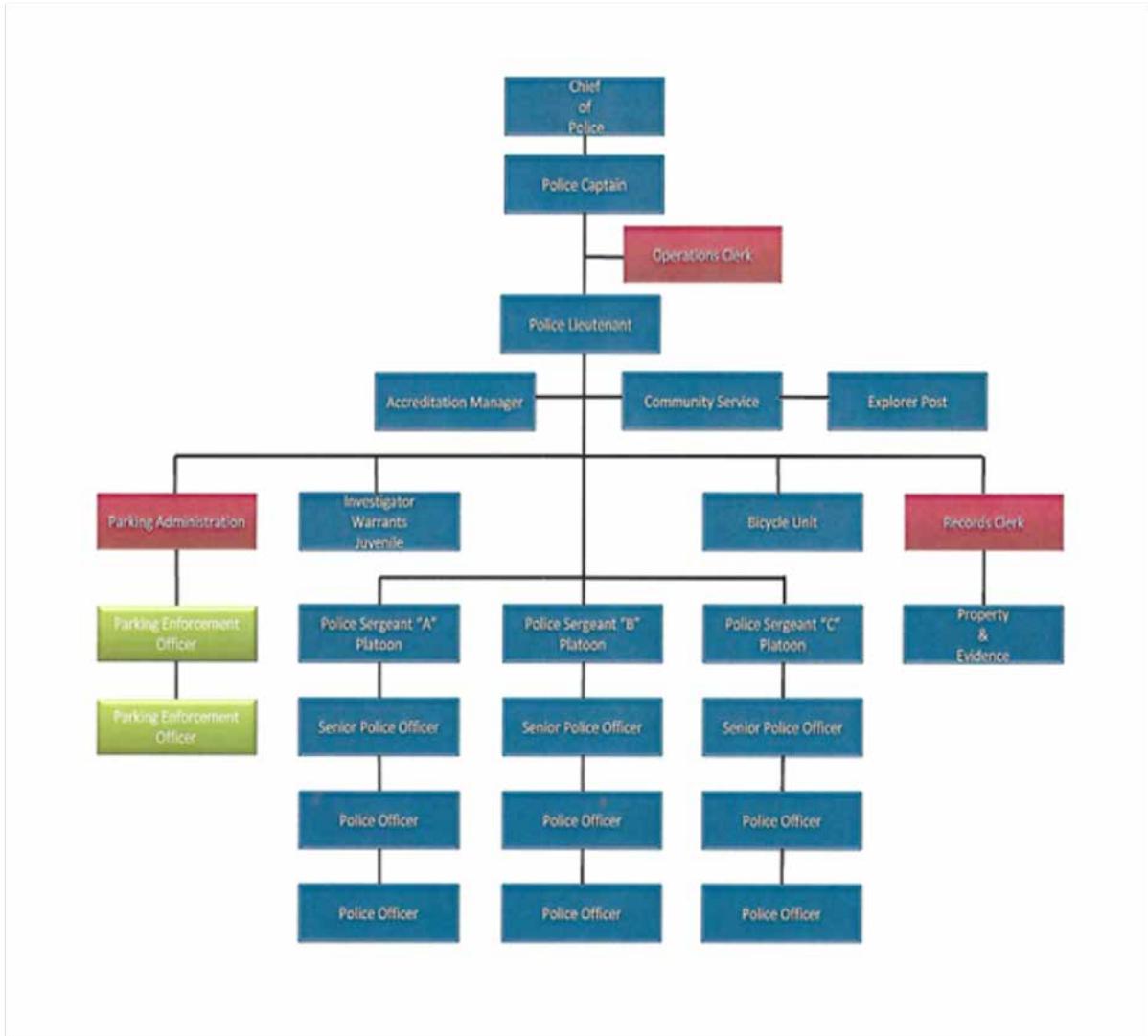
Various officers provide these specialty services:

1. Firearms Instructors – Two officers Certified
2. Bicycle patrol – Four officers Certified
3. MCSAP officer
4. EVOC Instructor
5. Intoxilyzer 9000 Supervisor

Patrol officers perform some of the specialty duties on an as needed basis and in addition to their primary duties. Two civilian employees function as the Records Section and two parking enforcement employees provide tasks associated with parking. The City receives dispatch services from the Warren County Emergency Dispatch Center.

Three municipalities border the City. The three adjacent municipalities are Conewago Township with its own Police Department of six police officers (four full-time and two part-time), and Glade and Pleasant Townships that receive police service from the Pennsylvania State Police.

**CHART 1
WARREN CITY POLICE DEPARTMENT
ORGANIZATIONAL CHART**



A. PROJECTED MANPOWER NEEDS AND SERVICE LEVELS

The International Association of Chiefs of Police developed the following formula to determine police personnel needs. The formula has been used and applied extensively throughout the Commonwealth by the consultant and found to be reliable. However, like most situations where an overall standard is used to determine a factor, it is subject to error and should not be considered infallible.

The IACP formula assumes that 45 minutes is the average time necessary to handle the average police incident. Furthermore, one-third of an officer's duty time should be utilized for responding to and handling incidents. A police officer is actually available for duty approximately 1,760 hours a year when all vacation, training, holidays, sick leave, bereavement leave, court time, etc. is considered. This calculation determines only the manpower needs for patrol officers on the street handling calls and does not include administrators, supervisors and/or specialists. In order for the formula to be accurate, it is extremely important that the information about the number of incidents reported be accurate.

While conducting studies over the past 33 years, the consultant has found that the reporting of data on incidents has been less than accurate. Due to the lack of a standardized reporting network in the Commonwealth of Pennsylvania, the lack of standardized training of police personnel and the administrative prerogative of individual municipal departments, there appears to be inconsistency in reporting. Therefore, it has been found that the realistic incident data lies somewhere between that reported by Departments and that expected if utilizing the average of 0.55 incidents per 1,000. This report was prepared by considering the incidents/assignments reported and the population average. Experts report that of all calls answered, 20% will be criminal in nature and 80% will be service in nature. Consideration of these methods to determine incident workload allows for increased reliability of incident workload. The IACP formula is summarized as follows:

Determining patrol Force Manpower Needs

Step 1 Determine the number of complaints or incidents received and responded to by the police department. Complaints and incidents include all forms of police activity where an officer responded and/or took an official action. Incidents do not include situations where advice was given over the telephone, delivering messages, handling internal police department matters, etc.

If the actual number of incidents is unknown, sound estimates may be made based upon the assumption that, on the average in any community, 550 complaints or incidents will occur for every 1,000 residents or 0.55 per resident.

Step 2 Multiply the total complaints or incidents by 0.75 (45 minutes). It is generally conceded that 45 minutes is the average time required to handle a complaint or incident.

Step 3 Multiply by three to add a buffer factor and time for preventive patrol. General experience has shown that about one-third of an officer's time should be spent handling requests for services. Other requirements for servicing police vehicles, personal relief, eating, and supervision must also be taken into consideration. Multiplying the total by three makes up for that unknown.

Step 4 Divide the product by 2,920, which is the total number of hours necessary to staff a basic one-officer patrol unit for one year (365 days x 8 hours = 2,920 hours). The result of applying the IACP formula established the number of patrol

elements necessary to police the community. This is not the number of officers, but the number of patrol elements.

To determine the number of officers required to staff each patrol element, the assignment/availability factor must be determined. Determining how many hours each year the average police officer is not available for duty on the street and subtracting that time from the patrol element hours of 2,920 accomplishes this. Summarized below is that calculation.

8-HOUR SHIFT

<u>Factor</u>	<u>Annual Man Hours</u>
Regular Days off (two days per week)	832
Vacation (15 days per year)	120
Holidays (10 days per year)	80
Court Days (five per year)	40
Training (five days per year)	40
Sick and injury (five days per year)	40
Miscellaneous leave (one day per year)	<u>8</u>
Total	1,160

(2,920 hours minus 1,160 non-available hours equals 1,760 available hours)

Step 5

Once the total available hours of the average patrol officer is established, the assignment/availability factor is determined by dividing the available hours into the patrol element requirement of 2,920 hours. This results in a factor of 1.66 for an 8-hour shift. In other words, it takes 1.66 police officers to staff each patrol element required to police the community. This includes only patrol personnel and does not include administrators, supervisors, or specialists.

Chart 2 follows and demonstrates the application of the International Association of chiefs of Police Association manpower formula (8 hour shift) that is incident based. The column marked +A/S/I includes the number of fixed positions in the Warren City Police Department as follows:

- One chief
- One captain
- Three sergeants (one vacant)
- One detective.

These positions are authorized to staff administration, supervision and investigation positions. The number six is represented in the column marked A/S/I. The chart also represents a total manpower need of 12.83 using population averages and 13.12 when using the Warren City Police Department activity report of incidents handled.

**CHART 2
MANPOWER NEEDS
WARREN CITY**

Based Upon a Population of 9,710 = 5,341 Incidents and
Estimated 2016 Incidents of 5,569

INCIDENTS	X.75	X3	DIVIDE BY 2920	X 1.66	+A/S/I	TOTAL
Population						
5,341	4,005.75	2,017.25	4.1154965	6.83	6	12.83

Warren City Incidents	5,569	4,176.75	12,530.25	4.2911815	7.12	6	13.12
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Note: Experts report that of all calls answered, 20% will be criminal in nature and 80% will be service in nature. (1,345 Crimes = 20% and 5,380 Service = 80% total of 6,725 incidents). WCPD reports 5,569 incidents/calls. Warren City is handling more activity than they are reporting or the experts are incorrect in their 20/80 assumptions. It is also probable that WCPD is handling more activity/incidents than are being reported.

Findings:

1. The aforementioned calculations are based upon population averages and the 2016 estimated reportable incidents (criminal and service) calculated from the incidents reported by the WCPD. Time did not provide for verification of incidents handled by the WCPD. Pennsylvania police departments generally report fewer incidents per year than the IACP population average of 0.55 per thousand. It is also not uncommon to find police departments handling more activity than is being reported.
2. During 2016, WCPD reported 175 crimes to the Pennsylvania Uniform Crime Reporting System. As noted earlier, on average, 20% will be criminal in nature and 80% will be service in nature. If that assumption is correct, the Department would have handled 1,475 incidents (175 crime and 700 service = 875 incidents). Therefore, WCPD is handling much less than the IACP average of 0.55 per 1,000 in accordance with experts' suggestion that non-criminal/service calls should be 80%.
3. Sam Walker, Professor Emeritus of the Criminal Justice Institute at the University of Nebraska at Omaha, reported in his article, "Current Issues and Research Needs," that Span of Control is an organizational-level factor detailing how many officers a supervisor can be expected to effectively control. While there is no definite figure, experts tend to agree on a ratio of roughly eight officers per supervisor. It is highly unlikely that a single supervisor could effectively supervise more than eight patrol officers. A larger ratio would more than likely result in too many officers to effectively supervise, while too small a ratio would not be an optimal use of supervisory resources.

Succession planning is a process through which many organizations, both public and private, prepare for the eventual departure of key leaders. Through this process, organizations engage in a variety of strategies to identify individuals who might eventually assume a primary leadership role, generally taking steps along the way to prepare these individuals for transition. This can be important from a strategic perspective because during a leadership change, a succession plan maintains the continuity of the agency's mission and reduces uncertainty. Organizational leadership involves identification of potential talent within the organization. Training should be provided to those individuals identified. Individuals who show promise should be monitored. Staff should be empowered to make key decisions within an agency.

Recommendations:

1. Evaluate the current Span of Control. Span of Control for three patrol sergeants is three police officers. Note that there are shifts when a sergeant is not working. Further, there is currently one vacant sergeant position.
2. Insert Warren City Police Department specific data into the average officer annual man-hours. Recalculate the formula for accuracy.

B. PATROL

The uniformed patrol section's basic mission is to prevent crime, protect life and property, preserve, enforce, detect, apprehend and arrest violators of law. In addition, there are a variety of additional tasks and functions enumerated in police officer job descriptions.

The Police Department schedules police patrol service with three platoons working eight-hour shifts. A sergeant supervises each platoon when working. Sergeants and officers are not assigned zones to handle service calls.

Sergeants and patrol officers respond to incidents and complete reports of initial investigations. Incidents are entered into a computer system. The patrol sergeant reviews the accuracy and content of the reports. The captain reviews reports prepared by a sergeant.

C. INVESTIGATIONS/DETECTIVE BUREAU

The investigation of crime is a basic responsibility of law enforcement officers. However, it should not be viewed as the sole responsibility of the criminal investigator. To be successful, the investigative effort requires the cooperation of all personnel, but in particular, the uniformed patrol officer and the investigator. The effectiveness of a patrol unit's proactive strategies, the speed with which it responds to crimes in progress and the quality of its preliminary investigations all have a major impact on whether or not an offender is ultimately apprehended.

When a call on a criminal matter results in an arrest by a patrol officer, the detective's role is usually limited to assisting. The detective assists with filing complaints, recovering property, when appropriate, and determining whether arrestees are responsible for other unsolved crimes. When a call on a criminal matter does not result in an arrest by a patrol officer, the identity of offenders is not known, and apprehension of an offender is not imminent, criminal investigators

begin follow-up investigations. The responsibility of a patrol officer in these instances is to conduct a thorough preliminary investigation, gather as much information about the nature of the crime and physical evidence as is available and practical. Departments must promote the effectiveness of the preliminary investigation process. This is accomplished by providing field report forms that are structured to ensure that essential information and evidence are sought and by having expert crime scene criminal investigators, evidence specialists, or both.

The detective analyzes all reports and information supplied by the patrol officer, integrating them with the knowledge and experience gained by investigating other similar crimes. The detective employs the latest criminality techniques, as well as interview and interrogation skills, to solve a case. The detective must be capable, dedicated and well-trained. He must develop a close working relationship with the uniformed patrol personnel. This partnership should lead to a continuing exchange of case information and intelligence. If kept informed about current investigations, the patrol officer can focus efforts on the most productive areas.

The investigative supervisor (captain) must coordinate and manage the entire follow-up process to ensure that a Department's limited manpower is used in the most productive manner. To maximize investigations productivity, which is measured by case clearances, the criminal investigations unit should use solvability factors to determine which cases have a reasonable potential for clearance and will, therefore, be followed up. Cases that do not have a potential for clearance should not be followed up. When cases are not followed up, complainants should be so notified and told why the case is not being investigated further. Supervisors must distribute workload equitably, establish guidelines for the amount of time that can be committed to individual investigations, authorize investment of exceptional time on investigations and ensure that the case clearances and closures comply with UCR standards. Supervisors must evaluate the performance of the entire unit and the performance of the individual investigators.

Investigators must be selected carefully. Selection techniques, both written and oral, should emphasize analytical abilities and interpersonal skills. Tests used for the selection process must be based on job analysis. Once selected, investigators must be well trained in interviewing and interrogation; information development and retrieval; planning, organizing and conducting searches; forensics; arrest; case preparation and testimony. Upon appointment, new criminal investigators should undergo 80 or more hours of intensive, specialized training. Like other field personnel, investigators need periodic in-service training to remain up-to-date on evolving legal issues and court decisions and to become proficient in the use of new procedures and technology. Because of the significance of the preliminary investigation to the ultimate success of the follow-up investigations, field patrol officers must also be trained in the same subject areas, though not as in depth as full-time criminal investigators.

Departments should have investigators available or on call 24 hours per day, or should establish other flexible arrangements to accommodate investigative requirements at crime scenes. The varying schedules of citizen witnesses and other demands of the investigations process necessitate availability. The authority, responsibilities, policies and procedures of criminal investigation units should be covered by written directive. It is particularly important to establish clear written directives for areas of great sensitivity. This includes the use of informants; use of Departmental funds, drugs, evidence, and other resources for investigative purposes;

confidentiality of information, and especially information that pertains to youth and sexual abuse victims.

Current Conditions in the Warren City Police Department:

The Warren City Police detective position is full-time. The captain supervises the detective. As incident reports come in from patrol, the captain reviews all reports to determine which incident is going to be assigned follow-up investigation.

The captain formally supervises follow-up cases. It is relevant to consider here, and will be addressed later in this report, that the average clearance rate of Part I Crimes for the City was 37.72% from 2013 through 2017. During the same time period, the clearance rate for the entire County was 37.32%. It should be noted that WCPD's statistics are part of the county figures. As can be realized, the City's Part I clearance rate is 0.40% greater than the county as a whole. It is also relevant to consider, and will be depicted later in this report, that the average clearance rate of Part II Crimes for the City was 32.52% from 2013 through 2017. During the same time period, the entire County's clearance rate was 51.39%. Again, it should be noted that WCPD's statistics are part of the County figures. The City's Part II clearance rate is 18.87% or 36.72% less than the County as a whole.

Evaluation:

The current basic organizational scheme appears to produce effective results in the investigation of serious Part I Crimes. Investigation of Part II Crime could use greater attention. Policies and procedures appear adequate as reflected in Department's clearance rates published in the Pennsylvania Uniform Crime Report.

Recommendations:

To strengthen patrol, investigations, and improve crime clearance rates, the Department should consider the following action:

1. Revisit the investigation of Part II Crimes and the methodology of Uniform Crime Reporting in an attempt to improve the clearance rate.

D. POLICY

Policy refers to a course or courses of action adopted and pursued to achieve agency objectives in acceptable ways, to establish the directions in which an agency will proceed, to establish required modes of institutional behavior and to encourage uniform operational action. Policy specifies principles to be observed rather than procedures or rules to be followed to actualize principles. Formulating policy is the responsibility of the chief of police. It is one of the most important responsibilities a chief has to perform.

A police department should have a standing policy in every area of significance as to its role and operations. A contemporary, high quality manual that the IACP uses as a model contains 151

individual policy statements. Policy must be definitive, clear and comprehensive. It must be written so that it can be uniformly communicated and understood. Having policy in writing is a major defense in liability situations, assuming that policy is also appropriate and constitutional. Although the policy positions of a department are ultimately those chosen by the chief of police, members of a department should be relied upon to help identify areas in which new policy is needed, areas in which current policy must be modified and to help formulate policy. Staff involvement enriches the policy identification and formulation process and gives staff an investment in the product. Policy development and modification should be ongoing. A department's entire body of policy should be comprehensively reviewed at least biannually. The review should focus on the need to change existing policy and to establish new policy. Special attention should be directed toward eliminating conflicts and redundancy in policy.

Current Conditions in the Warren City Police Department

WCPD policies are contained and distributed in a Department manual. The manual also contains job descriptions that include the essential functions of each job.

Policy and policy implementation have been examined and assessed by the Pennsylvania chiefs of Police Association. WCPD was accredited in 2010 by PLEAC and reaccredited twice since. The Warren City Police Department was the first Northwestern Pennsylvania police department to be accredited.

It is noteworthy to mention that WCPD is one of only 115 police agencies that have been accredited by the Pennsylvania chiefs of Police Association, according to Richard Hammon, accreditation manager. Only 7.75% of the Commonwealth's 1,200 municipal police agencies have been accredited.

Evaluation:

The current system is adequate and in compliance with established professional standards. It appears that policy development and updating have received considerable attention.

Recommendation:

To strengthen the body of policy, the Department should consider the following action:

1. Continue to routinely inspect policy, rules and regulations manuals for completeness and accuracy as it relates to re-accreditation by the Pennsylvania chiefs of Police Association.

E. RECORDS

A police records system must be complete and accurate in its information gathering capability, swift in its ability to deliver needed information and operated at a minimal cost. With such a system, a police department may keep a watchful eye on the criminal activities in the community and monitor its own success in suppressing these criminal activities. Without high-quality

information, no police department can hope to provide the kind of service that the taxpayers deserve.

The basic tool of the modern police officer is the police report. It is in this report that the officer forms the groundwork for an active and successful prosecution of the criminal offender. It also records action that the officer has taken on a complaint and has documented his/her reasons for acting or not acting on the complaint. The report also assists the police department by providing accurate proof of police activities.

In a larger perspective, the individual police report becomes part of a larger tool used by the department's record system. This system is the informational base of any police department.

It is here that the individual officers deposit their findings in a common pool that all other officers may draw from when necessary. In order for this system and the police department to be effective, the system must have the ability to accurately record information and hold it, and conversely, to quickly give out information when necessary.

Current Conditions in the Warren City Police Department

The Records Section receives day-to-day attention and functions under standard operating procedures. The records are maintained in the Central Records area under adequate security. This section provides all support services for the entire Police Department operations. In addition, the unit provides records maintenance, completing and maintaining statistics, preparation of the monthly and annual reports, clerical and secretarial support to all divisions, and a myriad of duties too numerous to list. The Records Section is staffed with two, full-time civilian operation clerks.

Evaluation:

The Department has developed a Records Section that appears to be in compliance with established professional standards.

F. DISPATCHING

Dispatching service is provided by the Warren County Emergency Operations Center. .

Current Organization and Staffing Evaluation

The current organization of the Department appears to reflect consideration of the majority of principles of organization. The most important are:

- Responsibility must be clearly fixed to ensure that every function of a police agency should provide is performed.

- Responsibility for every function that a police agency performs must be clearly assigned to one person.
- Functions which are similar or related in purpose, process, method, or clientele should be grouped together in one or more units.
- Responsibilities, duties and authority of units should be clearly defined and delineated so that accountability can be fixed and duplication of effort and non-performance of duties due to failure to assign can be prevented.
- Responsibilities, duties and authority of units should be known to all members of a Department through written directives.
- Only one person should control each unit and each individual, thus achieving the principle of unity of command and avoiding the friction that results from duplication of direction and supervision.
- Names of organizational units should reflect purpose.
- Specialized units should exist only if they significantly increase overall departmental capability.
- Control channels should exist to enable information to flow up and down, and to enable management to delegate authority, place responsibility, supervise work and coordinate efforts. These channels should be well understood by all members of a Department to ensure that they know to whom they are responsible and who is responsible to them.
- Span of control must be broad enough for economical management and supervision, but not so broad that managers and supervisors cannot manage or supervise effectively.
- Each assignment or duty must be paralleled by commensurate authority to fulfill the responsibility.
- Persons to whom authority is delegated should be held accountable for the use of the authority or the failure to use it.

Most problems that confront police departments cannot be resolved or prevented simply by observing principles of organization. Observing principles of organization cannot overcome innate weaknesses in the motivation or capabilities of personnel, eliminate inertia, or generate the initiative required for effective direction and control. Observing the principles will produce an organizational structure, however, that will influence the efficiency of a police department positively when capable personnel, motivation and other essential factors are present.

Management is a science and outstanding management training for police organizations is readily available. A manager plans, organizes and controls the efforts of an organization. He or she focuses on function, facts and priorities.

Recommendations:

1. Maintain the Department in accordance with the above principles of organization.

II: TOOLS FOR EVALUATING DEPARTMENT EFFECTIVENESS IN FIELD OPERATIONS

The effectiveness of a police department is determined by many factors. The police department and the citizens of the community look upon crime and the relative feeling of safety that exists within the jurisdiction as a primary role of the police. There is some question concerning how much impact the police really have on crime. However, we must look at the crime rate, the ability of the police to respond in a timely fashion, the amount of violent crimes (Part I offenses), and the less serious crimes (Part II offenses) occurring in the community as effectiveness measures.

Another important factor is the ability of police to solve crime once it is brought to their attention. This deals with a police department's arrest rate and clearance rate. Yet another factor can be examined by looking at the conviction rate – those cases in which an arrest was made and whether or not a court conviction was achieved.

patrol is the backbone of any law enforcement agency. The philosophy held by officers on patrol has very serious ramifications toward accomplishment of the police mission. Studies indicate that police departments employing an aggressive patrol strategy experience higher arrest rates and lower crime rates for robberies than jurisdictions with a passive patrol strategy. Making frequent street stops or issuing an above-average number of traffic citations accomplishes this. Generally, if a criminal knows that police are actively stopping suspicious persons and making field checks, or if the criminal sees more police on patrol, he may not commit crime because he perceives that his chances of being caught are greater. This perception will often lower the crime rate in a given jurisdiction.

A. ACCIDENT ENFORCEMENT INDEX

The Accident Enforcement Index is another measure of effectiveness that can be drawn through an examination of data. Experts (Northwestern Traffic Command Institute) report that for every injury accident, 20 citations should be issued for optimum enforcement. Optimum enforcement is desirable in an effort to reduce injury accidents.

The WCPD Monthly Report indicates the number of traffic citations and accident information. Table 1 depicts the information as follows:

**TABLE 1
WARREN CITY POLICE DEPARTMENT
ACCIDENT ENFORCEMENT INDEX**

Year	Citations Issued	Injury Accidents	Enforcement Index
2013	532	37	14.37
2014	414	32	12.94
2015	774	32	24.19
2016	525	39	13.46
2017	378	26	14.54

Source: Warren City Police Department Records Section. 2017 statistics are YTD as of November 27, 2017.

Findings:

1. The table indicates that WCPD’s traffic enforcement index falls below optimum during the four-year, 11-month period.
2. Citations issued in the WCPD decreased from 532 during 2013 to 378 during the first eleven months of 2017 or 154 = 28.95% over the four year, 11-month period.
3. The total four-year, 11-month enforcement record (2,623 divide by 166 = 15.8) suggests a patrol mission that subscribes to less than an aggressive patrol strategy.
4. Injury Accidents have a four year, 11-month average of less than 33.9 per year with an enforcement index of 15.9.

Recommendations:

1. Although the AEI was exceptionally impressive during 2015, research, evaluate and consider the causal factors impacting the below optimum index during other years.
2. Institute methods to move the enforcement index toward optimum.

B. REPORTED PART I INDEX CRIMES

Table 2, Reported Part I Index crimes 2013 – 2017, follows and summarizes the number of serious crimes reported to the WCPD during this five-year period ending December 31, 2017. Index crimes are commonly used to portray the level and nature of crime in a jurisdiction. Part I crimes include the offenses of homicide, rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson.

**TABLE 2
WARREN CITY POLICE DEPARTMENT
REPORTED PART I INDEX CRIMES
2013-2017**

Year	Murder	Rape	Robbery	Assault	Burglary	Larceny Theft	Motor Vehicle Theft	Arson	Total
2013	0	6	2	40	22	206	9	2	287
2014	0	6	3	17	19	173	5	1	224
2015	1	2	2	38	24	203	2	0	272
2016	0	3	0	27	6	204	0	1	241
2017	0	1	1	26	10	149	1	1	189
TOTAL	1	18	8	148	81	935	17	5	1,213

Source: Uniform Crime Report, Compiled by the Pennsylvania State Police, Bureau of Research and Development.

Findings:

1. Warren City's index crimes decreased by 63 from 2013 to 2014, increased by 48 in 2015, then decreased by 31 in 2016, and then decreased by another 82 in 2017. Overall, index crimes decreased by 98 or 34.15% compared to five years earlier.
2. During that same time period, index crimes across the entire County decreased 121 from 769 in 2013 to 648 in 2014; increased by 97 to 745 in 2015, then decreased by 70 to 745 in 2016. Index crimes decreased by another 173 to 572 in 2017. Overall, index crimes decreased 197 or 25.62% compared to five years earlier.
3. In the WCPD jurisdiction, the greatest number of Part I crimes (287), were reported in 2013. Warren County also experienced the greatest number of Part I Crimes (769) in 2013.
4. Larceny-theft was the crime category most frequently reported in WCPD and Warren County. Assault and burglaries followed as the number two and three crime categories in the City and across the entire County.
5. WCPD's five year average clearance rate of Part I and Part II Crime was 34.06%. The County average was 47.16%.

NOTE: A table showing Warren County statistics was not provided due to the sheer volume of information

C. CRIME RATE

A review was conducted of the reported crime in the WCPD jurisdiction over the past five years from 2013 through 2017 as reported in the Uniform Crime Report compiled by the Pennsylvania State Police, Bureau of Research and Development.

The same review, for the same time period, was conducted for Warren County for comparison purposes. This allows Warren City to better understand the crime trends in its jurisdiction in comparison to all the reporting municipalities across the County. It should be noted that the WCPD statistics are included in the County statistics.

Crime rate information follows and provides a formula to indicate a municipalities' crime rate in numerical terms. The rate is determined by dividing 100,000 by a municipalities' population; times the Part I Crimes as follows:

**TABLE 3
CRIME RATE COMPARISONS
2013-2017**

MUNICIPALITY	POPULATION CALCULATION	PART 1 CRIMES	CRIME RATE	YEAR	CLEARANCE RATE
WCPD	100,000 9,244 = 10.82	X 287	3,105.34	2013	35.89%
		X 224	2,423.68	2014	31.62%
		X 272	2,943.04	2015	42.65%
		X 241	2,607.62	2016	39.83%
		X 189	2,044.98	2017	38.62%
Warren County	100,000 40,025 = 2.50	X 769	1,922.50	2013	42.13%
		X 648	1,620.00	2014	30.40%
		X 745	1,862.50	2015	39.33%
		X 675	1,687.50	2016	37.33%
		X 572	1,430.00	2017	37.41%

Source: Pennsylvania Uniform Crime Reporting System

Findings:

1. The data suggests that WCPD, over a five year period from 2013 to 2017, has experienced a decrease of 1,060.36 or 34.15% in the crime rate, down from 3,105.34 in 2013 to 2,044.98 in 2017.
2. Warren County over the same time period has also experienced a decrease of 492.5 or 25.62% in the crime rate, down from 1,922.50 in 2013 to 1,430 in 2017.
3. Warren City’s crime rate average (2,215.94) is greater than the County’s Average (1,418.5).

Evaluation:

From the data examined, the Warren City Police Department appears to be clearing a slightly greater percentage (37.72%) of Part I Crime compared to the County percentage (37.32%). The City’s Crime Rate average (2,824.93) is greater than the County Crime Rate average (1,704.5). Part I Crime is decreasing at a greater rate across the County than in the City.

Conviction Rate:

Another measure of effectiveness can be gleaned from a department’s conviction rate. A conviction is the successful prosecution of an offender arrested, charged and prosecuted for committing a crime.

Evaluation:

The Warren City Police Department does not specifically track conviction rate information. The WCPD Monthly Activity Report does include information on the number of crimes occurring but not being investigated or prosecuted in the City. Therefore, for the purposes of this report, it was not possible to determine conviction rate data.

Recommendations:

1. Collect, compile and analyze conviction data on criminal prosecutions.
2. Include statistical information on crimes being investigated (followed up by a detective) on the monthly and annual reports.

D. REPORTED PART II INDEX CRIME

Table 4, Reported Part II Index Crimes summarizes less serious crimes than Part I Index Crimes.

**TABLE 4
WARREN CITY POLICE DEPARTMENT
REPORTED PART II INDEX CRIMES
2013-2017**

Crime	2013	2014	2015	2016	2017	TOTAL
Other Assault	31	23	22	12	22	110
Forgery	4	9	9	5	4	31
Fraud	45	39	47	43	47	221
Embezzlement	0	0	1	0	0	1
Stolen Property	2	0	0	0	1	3
Vandalism	82	103	72	54	74	385
Weapons	4	1	5	3	5	18
Prostitution	0	1	0	0	0	1
Sex Offenses	5	2	4	1	3	15
Narcotics	24	26	22	39	28	139
Gambling	0	0	0	0	0	0
Family Offenses	4	9	2	0	0	15
DUI	27	31	25	43	34	160
Liquor Laws	9	8	6	4	4	31
Drunkenness	56	52	39	46	34	227
Disorderly Conduct	422	368	353	304	330	1,777
Vagrancy	2	7	7	2	2	20
All Others	81	91	95	114	90	471
TOTAL	798	770	709	670	678	3,625

Source: Uniform Crime Report, Compiled By the Pennsylvania State Police, Bureau of Research and Development.

Findings:

1. Part II Crimes decreased by 121 or 15.04% in WCPD, down from 798 in 2013 to 678 in 2017.
2. During the same time period, Warren County Part II Crimes decreased by 4,276 or 15.95%, down from 1,730 in 2013 to 1,454 in 2017.
3. During the five-year time period, disorderly conduct, all others, vandalism, and drunkenness were the top four Part II Crimes reported in the Warren City Police Department.
4. During the same time period, the top four Part II Crimes reported across the entire County were disorderly conduct 2,205, other assault 1,179, all others 1,077 and vandalism 927. Again, take note that the County statistics include Part II Crimes reported by the WCPD.
5. The WCPD five-year (2013 – 2017) Part II clearance rate was lower (32.52 %) than the County average of 51.39%.

Total Crime Statistics Notes:

1. The WCPD reported 4,838 total crimes (1,213, Part I and 3,625, Part II) during the study period of 2013 through 2017.
2. Serious crimes totaled 1,213 or 25.07% of the total (1,213 of 4,838).
3. Less serious crimes totaled 3,625 or 74.93% of the total (3,625 of 4,838).

III: MANAGEMENT, TECHNICAL AND SUPPORT SERVICES

Management is the process of organizing and using personnel and material resources to accomplish objectives. The management process comprises a comprehensive and diverse array of functions. Among the most essential are setting organizational objectives; organizing programs to achieve objectives; assembling staff and other resources required to conduct programs; establishing policies and procedures to govern programs; directing programs through written directives, internal communications and supervision; and controlling programs to ensure compliance with policies and procedures.

The Warren City Police Department chief bears ultimate responsibility for achieving objectives and for the effectiveness of the management process. Because the chief cannot be omnipresent nor conduct the management process by himself, responsibility must be delegated to division and section commanders and supervisors. To manage the Department effectively, the chief and his delegates must have the support of a number of executive or administrative services, principally research and planning, legal counsel, public information and fiscal management.

A. ORGANIZATIONAL OBJECTIVES

Objectives are ultimate ends that police agencies strive to achieve. Although objectives are not immutable, they do not change substantially over time. Crime prevention, apprehension of offenders, clearance of crimes, and recovery of property, locating missing persons, and protecting constitutional guarantees, have long characterized the police function. In both theory and practice, objectives are often referred to as goals. They are also referred to as outcomes. Although there are technical distinctions, these terms are used synonymously in this report.

Objectives, by definition, are a prerequisite to managing by objectives. Their existence allows all management functions to be directed toward their achievement. Objectives should exist for a department as a whole and for each division, section and unit within it. Logical relationships must exist between and among levels of objectives. Division objectives, for example, should connect, integrate and in some instances be identical with objectives of a department. Objectives must be stated with sufficient precision to yield to valid measurement. Agencies must measure the degree to which objectives are achieved, which is effectiveness, and the cost incurred to achieve objectives, which is productivity.

Most agencies prepare objectives, mainly to satisfy municipal-level budgeting requirements. Agencies normally assign the development task to a budget or planning unit and require only perfunctory involvement of operating personnel. Few agencies exploit the management, evaluation and performance measurement potential of objectives. This defeats the entire purpose of efforts that are made.

Current Conditions in the Warren City Police Department

The Department has policy in this area.

B. INTERNAL COMMUNICATIONS

A variety of techniques should be used, in addition to written directives, to communicate intended objectives, policies and procedures to department personnel. Those found to be effective, when properly designed and administered, are staff meetings, distribution of staff meeting summaries and/or similar in-house communications media; roll-call discussions; work site and field visits by the police chief and other departmental executives; major events, such as awards presentations, which rank-and-file employees are expected to attend; and frequent interaction, both formal and informal, between police executives and benevolent, Fraternal Order of Police or union association representatives. While these communication mechanisms are designed to help department commanders and supervisors communicate and direct downward, a number of them provide a simultaneous opportunity for rank-and-file officers and employees to communicate upwards – to ask questions, make comments and generally express feelings and concerns. A department should take every opportunity to use these situations and mechanisms to improve upward communications.

As a medium for directing departmental operations, the importance and potential of staff meetings cannot be overemphasized. Staff meetings provide face-to-face opportunities for managers to communicate intent and explain rationales. In addition, the meetings transmit facts, and provide opportunities for staff to comment on operations and their effectiveness. They also provide opportunity to discuss and resolve specific problems and policy proposals and to express ideas that can contribute to the progress of an agency. Contributing tends to promote satisfaction and a sense of accomplishment among staff. Through participation, subordinates tend to identify with organizational objectives and endorse management plans.

In most departments, only senior officers attend or have staff meetings. This should not nor need not be the case. Staff meetings should be held at all levels of a police agency. Staff meetings should follow regular schedules and prepared agendas. Written minutes should be kept. Minutes of previous meetings should be reviewed as a matter of regular business. This ensures automatic review of previously discussed matters and provides the basics for determining whether controlling actions have been taken between meetings.

Stable departments require fewer meetings than those undergoing reorganization, rapid growth or other forms of transition. Frequent meetings are desirable when new systems or programs are being planned or introduced. Departments should modify standard schedules of meetings as conditions warrant, either increasing or decreasing the number. It is preferable to err on the high side when determining frequency of meetings, since redundant communication is preferable to under-communication. At the same time, care must be taken to avoid scheduling meetings so frequently that participants lose valuable time unnecessarily.

Current Conditions in Warren City Police Department

The chief has regular staff meetings as needed but quarterly on a regular basis. The chief visits the Department during evening or night shifts. Department meetings are announced and officers may attend on a voluntary basis.

The exception is the officers of the labor organization who meet with city officials on contractual matters. At times, this may tend to be oriented more toward adversarial relationships than it does toward harmonious relationships; however, the relationship has been harmonious as there has not been arbitration for more than twelve years.

Evaluation:

The Department utilizes most of the internal communications mechanisms available.

C. SUPERVISION

First-line supervisors are critical links in the direction process. Being closest to those who actually administer most police services and who are directly responsible for their performance, it is the first-line supervisors who must ensure on a day-to-day basis that objectives are being met and that policies and procedures are being carried out as intended. To do so, supervisors must be thoroughly conversant with departmental objectives, policies and procedures that pertain to their areas of supervision and with the jobs to be performed by those supervised. They must monitor and evaluate the performance of personnel and must correct and teach when personnel do not perform as required. The most influential supervisor in a police agency is the patrol supervisor, usually a field sergeant. The patrol supervisor normally has more personnel to manage than other supervisors. He or she controls effectively, or ineffectively, the actions of those police employees who are most often and most directly involved in the delivery of police services.

To produce supervisors who can direct effectively, a police department must take a series of deliberate actions. It must administer promotional examinations and employ selection procedures that validly and accurately measure supervisory skills and potential. The procedures include the following: provide extensive training to those appointed to supervisory positions; make clear that supervisors are part of the management structure and will be held accountable for exercising the authority granted to them; use formal, structured, evaluation methods to measure and assess supervisory performance; give supervisors the tools they need to systematically diagnose and evaluate the performance and needs of their subordinates; correct inadequate performance (this should be accomplished, also, through a formal, structured system of performance evaluation); and supervisors must be provided time to evaluate subordinates and correct deficiencies through training. When supervisors must spend most or all of a shift on emergencies, other duties, effective direction, evaluation and training cannot occur. For supervisors to train effectively, officers must have sufficient free time to be trained.

Current Conditions in Warren City Police Department

The captain provides command supervision over operations, administration and support services. There are three supervisory positions in the Department; however, a vacancy exists since one sergeant has been promoted to chief.

Supervision within the entire Department is one of the limited aspects of the Department's management process. Although the Department's size allows for an esprit de corps due to the closeness of all Department members, 24/7 supervision challenges cost effectiveness.

The chief subscribes to journals and publications such as, but not limited to, Labor Contract Law Bulletin, The Pennsylvania and International chief's Bulletin, etc. These publications are made available and are required reading for the captain and sergeants.

Recommendations:

1. Become familiar with and practice the Principles of Quality Leadership:
 - Believe in, foster and support TEAMWORK.
 - Be committed to the PROBLEM-SOLVING process; use it and let DATA, not emotions, drive decisions.
 - Seek employees' INPUT before making key decisions.
 - Believe that the best way to improve the quality of work or service is to ASK and LISTEN to employees who are doing the work.
 - Strive to develop mutual RESPECT and TRUST among employees.
 - Have a CUSTOMER orientation with focus toward employees and citizens.
 - Manage on the BEHAVIOR of 95 percent of employees and not on the 5 percent who cause problems. Deal with the 5 percent.
 - Improve SYSTEMS and examine PROCESSES before placing blame on people.
 - Avoid "top-down" POWER ORIENTED decision making when possible.
 - Encourage CREATIVITY through RISK TAKING, and be TOLERANT of honest MISTAKES.
 - Be a FACILITATOR and COACH. Develop an OPEN atmosphere that encourages providing and accepting FEEDBACK.
 - With TEAMWORK, develop with employees the agreed upon GOALS and a PLAN to achieve them.

To strengthen its system of organizational objectives, the Department should consider the following actions:

1. Review current policy as it relates to developing a structure of organizational objectives. The structure must include objectives for the Department and for each unit. The objectives must specify the ultimate outcomes that the Department and the sub-divisional organizational units wish to achieve. The objectives must be measurable.

D. MANAGEMENT CONTROLS

Results are not achieved only by issuing orders, or by directing an objective to be achieved, a plan implemented, or a task undertaken. To achieve a desired end, management must do more than direct. It must control. Control is the process of ensuring that policies, procedures and operations correspond to the intent and directives of management. Control is part of a larger four-step process. Determining what results or objectives are to be achieved and selecting policies, procedures, and operations to achieve them is the first step. Issuing directions designed to produce the desired results is the second step. Monitoring the operations to identify undesirable deviations is the third step. If operations are proceeding as planned and monitoring

does not disclose deviations there is no need for action. If the monitoring discloses deviations or side effects, then action must be taken. Correcting the deviation, or undertaking some other course of action designed to promote success, is the fourth step. These last two steps are the elements of control. Line inspections, staff inspections and internal affairs reviews are three forms of management controls that should be administered in every police department.

The inspections process is designed to observe, evaluate and record flaws in the application of sanctioned policies and procedures and in use of human and material resources to accomplish the Departmental mission. Line and staff are two types of inspections in the police service. Supervisors in the regular course of activities should perform line inspections. Though line inspections are commonly associated with patrol, line inspections should be conducted by supervisors at all levels in all units. The appearance of subordinates, the condition of equipment, the completeness of the orders manual and officer demeanor with the public, typify the focus of line inspections. Written line inspectors in the instances of major or continuing problems should produce reports. When training or some other remedy is in order, it must be approved at executive levels.

Staff inspections are essentially independent audits. Members of a special unit, in the name of the chief, should perform them. Staff inspections should focus on the degree to which established policies and procedures have been implemented properly, the degree to which orders are being carried out and upon the proper or improper use of personnel and material resources. Organizational units should be inspected bi-annually at a minimum. Written reports of findings and recommendations should be prepared for the chief subsequent to every inspection. He should share reports with executive staff and the commanders of units that are to be inspected, except in cases of extreme sensitivity and where confidentiality is required. Unit supervisors should be required to evaluate and comment on reports, especially when findings are negative and/or recommendations seem questionable. Timetables should be established for corrective actions in all situations where such actions are preferred.

There is a common feeling among police administrators that close proximity to subordinates reduces or eliminates the need for continuing the inspection process. This belief is especially prevalent in small agencies but is without basis. Police administrators should hold all supervisors responsible for line inspections. The chief should also assign responsibility for staff inspections to a command individual who has a comprehensive understanding of the department as well as the department's policies and procedures. Members of a department should view inspections as a normal and desirable administrative activity. They should be completely informed about reasons for inspections, the nature of inspection procedures to be used, and the consequences which will follow when deficiencies are noted and reported. Covert inspections should be conducted only when a probability exists that very serious conditions detrimental to the best interests of a department are present. Even then, covert inspections should be conducted only under the immediate direction of chief. Although covert inspections usually unearth a greater number of defects than open inspections, they also engender serious morale problems when used routinely. Covert inspections should be resorted to only when it is absolutely necessary to protect the department from grave, public embarrassment. For the most part, open inspections, known and anticipated by the employees, will produce desired remedial results.

Current Conditions in the Warren City Police Department

The Department has a formal, comprehensive, agency wide inspections program. The captain conducts formal line and staff inspections, maintains an equipment inventory and initial issue inventory record. Patrol sergeants do limited inspections (inspecting vehicles for damage and operating condition).

Findings:

The Department is in compliance with professional standards in this area.

E. INTERNAL AFFAIRS

A police department cannot be successful for very long without public belief in its integrity. Integrity is demonstrated and protected through a strong, fair and responsive internal affairs process. This gives notice to both the community and members of the department that an agency is willing to police its own. It is management's way of demonstrating that officers and civilian employees will be held accountable for complying with sanctioned forms of behavior and punished for violating them.

A police department should have a central internal affairs unit or officer. The unit or officer reports directly to the chief, when practical. Principal functions of the unit or officer should be to receive, record, process, investigate and control complaints against employees. Adequate resources must be devoted to the internal affairs function. Internal affairs must have a positive emphasis. Management should view internal affairs as a proactive tool to achieve positive results. Police officers, normally skeptical about internal affairs procedures, usually respond in a highly professional manner to an affirmative process as long as the rules are clear, fair and applied consistently. Too often, the function is managed in a way that reduces morale and motivation and strains community relations. In many agencies, it is mysterious and burdensome, appearing deliberately designed to discourage complaints. Citizens have also traditionally been suspicious of the internal affairs process. When an informal public believes that its police department will investigate all allegations of misconduct against its members honestly and fairly, it will be less likely to become prematurely indignant or seek redress elsewhere.

A police department should have a simple and efficient system for receiving and processing complaints. Once a complaint has been received, from either inside or outside the agency, it must be investigated thoroughly and impartially and in a timely manner. Anonymous complaints should be handled in the same manner as any other. Frivolous allegations should be screened out during the preliminary investigation. Minor complaints should be referred to an employee's supervisor. The internal affairs unit should handle serious allegations. Internal affairs should maintain staff control over all investigations, even when complaints have been referred. The department must take positive steps to be sure that the public understands how the internal affairs process works. Citizens should be notified when complaints are being investigated and advised of the outcome. The investigative phase is the most critical part of the internal affairs process. Both the public and the employee must be satisfied that the investigation is thorough and fair. An

officer should be advised promptly when a complaint of misconduct is received, except in those cases where it would jeopardize the investigation. A department must have a procedure for temporarily relieving employees from duty when charges dictate such action. This form of supervision is to be distinguished from one imposed as punishment following a final determination of misconduct. Neither officers nor civilian employees have a constitutional right to counsel during an internal investigation, although departmental policy or labor contracts often establish the privilege. Officers can be ordered to answer questions and submit to a polygraph test. When criminal prosecution is contemplated, Miranda guidelines apply. A search warrant or voluntary agreement is required to search an officer's home or personal vehicle. Search of a locker or department office requires neither.

When an internal investigation sustains an allegation of misconduct, formal charges should be filed. Filing officially notifies officers that they are being charged with violations of departmental rules, explains the nature of the charges and advises what procedural steps can be taken to answer them. Police misconduct may constitute violation of both criminal law and departmental policy. In most jurisdictions, criminal and administrative procedures are entirely separate and distinct. An acquittal on criminal charges does not prevent a department from taking disciplinary action against an officer based on the same conduct. The laws of most states, as well as federal due process standards, require that an officer be allowed a hearing on disciplinary charges at some point before discipline becomes final. A court reviewing an appeal of a department's disciplinary action will only examine a written record. Generally, a court will not consider new evidence. As a result, although adherence to strict rules of evidence is not required in an administrative hearing, a verbatim record should be kept with the hearing board clearly stating the evidence on which its decision is based. As with any important administrative decision, a chief is well advised to consult with various levels of his staff before imposing penalties. Internal affairs policies and procedures and the functioning of the internal affairs unit or officer should be formalized in a written directive.

Current Conditions in the Warren City Police Department

Responsibility for internal affairs remains vested with the office of the chief who can suspend for one day without pay. The captain conducts the investigation and reports findings to the chief. The City Manager has the authority to hire and suspend for more than one day without pay. The Department has policy covering the internal affairs process, along with training on conducting such investigations. The chief does not publish information in his annual report.

Finding:

The Department has a written policy on the internal affairs process and appears to be, for the most part, in compliance with professional personnel management practices.

Recommendation:

To strengthen the internal affairs function, the Department should consider the following action:

1. Publish a summary of the number, type and disposition of complaints only against officers in the Department's annual report. The summary should not contain the names of any individual officers as that would be a personnel matter.

F. PLANNING

Planning is the process of developing and selecting the best possible course of action to meet a police need or achieve a police objective. It is a basis for rational, effective police decision-making, management and operations. Without planning, the objectives of police agencies will not be achieved effectively. Lack of formal planning, particularly long-range planning, is one of the most critical deficiencies in police management today. Many police chiefs attempt to manage their Departments without adequate planning.

A police department should have a full-time planning unit. Small agencies should have at least a part-time planning officer. Planning units and officers should have department-wide staff supervision over all planning activities. They should:

- Evaluate and recommend improvements to existing programs, systems, procedures and methods.
- Prepare crime projections and complete allocation studies.
- Conduct long-range planning and research to design new systems and develop new policies, procedures and methods.
- Work with City management to plan and coordinate long-range fiscal needs.
- Conduct demographic studies and research to match future police service in developing community requirements.
- Develop plans for responding to natural or technological disasters and civil disorders.
- They should also subject each existing procedure and operation to a test of efficiency. This is accomplished by applying the following questions:
 1. What is accomplished by the procedure or operation?
 2. Would the Department's overall operation be materially impaired if the process or procedure were eliminated entirely?
 3. Can some other person or unit accomplish the process or procedure more efficiently or effectively?
 4. Has another agency found a better way of performing this process or operation?
 5. If the procedure or operation is continued unmodified, is the result worth the cost?

Systematic analysis of existing procedures is a valuable technique for maintaining departmental efficiency and effectiveness. The investment of time in the procedure usually produces substantial savings in police manpower and money and results in better service to the public.

Variation in the foregoing list of responsibilities, additions or deletions, will be dictated by local conditions.

A planning unit should be staffed by persons who collectively combine all of the knowledge and skills required to effectively conduct the contemporary police planning function: police science; principles of organization and management; principles and techniques of planning; research methods; information collection, handling, and processing; long-range planning; budgeting; performance measurement; governmental operations and law enforcement technology. A staff must maintain up-to-date knowledge of emerging criminal justice research and development of current and emerging issues and problems. A planning officer must have many of these skills and the resources to acquire the remainder when necessary.

A unit may be composed of either civilian or sworn personnel. A blend usually works well. The director of a planning unit may be either sworn or civilian. He or she must, however, be a skilled manager and be knowledgeable in at least several of the disciplines mentioned above. A planning unit should report directly to the police chief.

Planning and research units should produce completed staff work. Completed staff work involves study of a problem, examination and presentation of alternative solutions and presentation of the best solution in such form that the chief of police only need review and approve or disapprove the proposed plan of action. The principal idea of the concept is to avoid presenting an incomplete plan, which would unnecessarily consume the valuable time of the chief and the command staff.

The responsibilities of a planning unit should be formalized in a written directive.

Current Conditions in the Warren City Police Department

Informal planning is conducted on an ad hoc basis. There is no written policy.

Recommendations:

To strengthen the planning function, the Department should consider the following actions:

1. Affix responsibility for the planning function in the job description of the captain.
2. Review written directives on the planning and research function in comparison with the information provided in this area of the report.
3. Prepare an agenda or inventory of planning and research needs. Special care must be taken to ensure that long-range needs are given due consideration.

4. Prioritize items on the agenda. This should be a joint effort of the chief, captain, sergeants, and support staff.
5. Formally adopt the inventory and the priorities on the work plan for the planning function.

IV: PERSONNEL AND TRAINING

The quality of the service provided by a police department depends directly upon the quality of the personnel employed. The current quality and level of service provided by the Warren City Police Department rests largely with the competence and capabilities of the personnel presently employed. Future achievements and effectiveness will depend on the competence and capabilities of the men and women now being hired, those remaining in the Department and those hired in the future.

The personnel administrator for a police agency has complex and demanding functional responsibilities. Personnel administrators must be sensitive to validity issues in selection and promotion, affirmative action requirements, collective bargaining procedures and potential challenges to the city's selection, promotion or retirement systems. These concerns cause many personnel administrators to approach their work defensively and in so doing, lose sight of the overall goal of molding a quality workforce well suited to careers in police service.

To guarantee that the workforce is of the highest professional quality, an agency must have a comprehensive personnel program. It must maximize the effectiveness of its recruiting, selection, promotional and performance evaluation practices. Of utmost importance, it must be competitive in the labor market. Once quality personnel are employed, their abilities must be developed to their maximum potential through career-long education and training.

Current Conditions in Warren City Police Department

The primary responsibility for personnel matters for the Department, including recruiting, selection, and personnel records rests with the chief. When requested, the chief assists the City Manager with hiring, promotions, salary and related issues. Disciplinary procedures are ultimately the responsibility of the chief and City Manager. The Department does not have a formal career development program. It does have a performance evaluation system. The chief performs employee personnel actions and the City maintains the records.

Findings:

The Department has fashioned a personnel system that is in compliance with established professional standards.

A. PROMOTION

Leadership qualities, intelligence, mastery of law enforcement procedures and supervisory or management skills are requisites for promotion to positions of higher responsibility. It is especially important that these characteristics be present in those promoted to the rank of sergeant since they form the group from which future command officers and administrators will be selected.

All aspects of the promotion process must be based on a detailed analysis of positions into which personnel will be promoted. To observe this principle, written job analyses must exist. Written notices that describe qualifications, testing procedures to be employed, and other essential data needed by potential applicants should be posted prominently, well in advance of the closing date for applications. Three years in grade as a police officer should be required for promotion to sergeant and at least one year in grade should be required for promotion to ranks above sergeant. Recommended times in grade are considered a good compromise between limiting promotional opportunities to personnel with sufficient experience for advancement and creating a broad competitive base.

Testing should include a written examination, an oral examination and a medical examination for those who pass the written and oral examination. Performance evaluation also should be used to determine eligibility. Study materials should either be identified for applicants or be provided to them. The promotional process, in its entirety and in each of its elements, must meet requirements of validity and utility and minimize adverse impact. If assessment centers are used to examine candidates for promotion, a team of assessors should be used, a battery of assessment techniques should be employed, and the appraisals of assessors should be pooled to form recommendations on and to rank candidates. Candidates should be ranked on eligibility lists in order of total scores of the various elements of the testing process.

The rule of three should be followed. A chief should be able to recommend (to the Board of Supervisors, Council members, or Commissioners) individuals for promotion from among the first three qualified or presented to an examining board. This gives a chief some latitude in the actual promotion of successful candidates. It is unfair to hold the chief responsible for the performance of the agency, while at the same time withholding from the chief some discretionary power in the appointment of supervisory and command personnel from among qualified applicants. The rule of three recognizes imperfections inherent in any examination process and provides the chief an opportunity to exercise professional judgment in selecting staff. At the same time, however, the rule limits the chief's discretion to acceptable bounds. To exploit the value of the rule of three, the chief should have or be able to obtain knowledge about the capabilities of individuals, the demands of the position to be filled, and the personal attributes necessary for successful performance on the job.

The performance of new supervisors, normally new sergeants, should be evaluated every three months during a one-year probationary period. Findings should be discussed with them. Their supervisors should counsel probationers and corrective measures taken to assist those who fall short of expectations. The chief should give the probationer permanent status only after successful completion of the probationary period and after certification. Those probationers who

cannot adjust to the responsibilities of higher rank should be returned to their previous grade, without prejudice.

Succession planning is a process through which many organizations – public and private – prepare for the eventual departure of key leaders. Through this process, organizations engage in a variety of strategies to identify individuals who might eventually assume a primary leadership role, generally taking steps along the way to prepare these individuals for transition. This can be important from a strategic perspective because during a leadership change, a succession plan maintains the continuity of the agency’s mission and reduces uncertainty.

Organizational leadership involves identification of potential talent within the organization. Training should be provided to those individuals identified. Individuals who show promise should be mentored. Staff should be empowered to make key decisions within an agency.

Current Conditions in the Warren City Police Department

The Department is governed by City Charter and has a written policy and procedure on the promotional process that is similar to but different than Civil Service. The City utilizes Standards and Associates through the Pennsylvania chiefs of Police Association for written examinations for the Promotional process. The Department captain and sergeants have attended Penn State University’s POLEX and POSIT supervisory training. One sergeant has attended the FBI National Academy, Northwestern Command Institute and the FBI LEDA training is currently scheduled for the chief and one sergeant. Most of the Department members have college degrees.

Recommendations:

1. Adopt and practice succession planning as discussed above.

B. PERFORMANCE EVALUATION

Performance evaluation is the measurement and analysis of on-the-job performance of police employees. It focuses on the manner and effectiveness by which prescribed duties are carried out. Performance evaluation serves valuable purposes to administrators, supervisors and employees. Performance evaluations provide information to enable officers to maintain acceptable performance and improve unacceptable performance; reveal training needs individual and collective; provide the basis for decisions including assignment, promotion, discipline and termination; and provide a medium for supervisor-subordinate discussion and counseling. Performance evaluations promote job satisfaction for officers who are performing well and provide incentives to improve for those who are not performing well.

Every police agency should have a formal performance evaluation system. Each officer in the agency should be evaluated, at least annually, preferably semi-annually. Probationary employees should be evaluated at least bi-monthly, preferably monthly.

The entire evaluation process must meet standards of validity. The evaluation period must be specified on evaluation instruments or otherwise recorded. Evaluations are to be done by the

immediate supervisor or supervisors of the employee being rated and reviewed by the supervisor or the rater/raters. The work of all raters should be evaluated for quality and consistency.

Employees must have the opportunity to review evaluations and should be required to sign evaluations to validate that they have been read. A signature should neither state nor imply agreement or disagreement with an evaluation. Raters and employees should discuss the contents of evaluations, even positive evaluations. Unsatisfactory ratings must be explained both orally and in writing. Employees should have the right to contest ratings and seek formal review. A copy of each evaluation should be provided to the employee. The operation of the performance evaluation system should be evaluated annually.

Current Conditions in the Warren City Police Department

The Department is in compliance with established professional standards.

C. EDUCATION AND TRAINING

It is the unanimous opinion of professional police administrators, civic officials and informed laymen that improvements in the police service will parallel advancements in the level and quality of the education and training of the police officer. Education tends to round a police officer, to provide broader understanding of the social problems with which he or she comes in contact, and to judge alternative resolutions to a problem or situation more insightfully. It enables officers to cope more effectively with citizens and makes them more receptive to social and organizational change, and new ideas and concepts. Training improves the ability of police officers to make correct decisions and take appropriate action at the right time. It prepares officers to act decisively and correctly, makes them more productive, and instills a personal sense of competence and worth. The trained police officer can function better if well educated. An educated person cannot function effectively as a police officer until well trained. Obviously, both education and training are needed for contemporary police work. While a Department should approach education and training positively and emphasize their contributions to police service, it is no longer possible to ignore the value of strong programs of education and particularly, training as essential defenses in failure to train liability situations.

For decades it has been recommended that a police agency should establish college education, preferably a degree, as a minimum entrance requirement for employment. The national educational level of police officers has increased to 13.5 years as noted in a recently published report. Working officers without degrees should be required to earn them. An agency should strive to have a uniformed force composed entirely of officers with degrees. To encourage basic and continuing education, an agency should have an incentive pay program that awards pay increments for credits earned toward and beyond the minimum college requirement. A small percent increment is commonly recommended for each 30 credits needed for a degree.

Earning full credit would result in a larger percent incentive pay. Agencies must also support educational efforts by reimbursing tuition payments, granting educational leaves and providing shift preferences whenever possible so that officers can attend classes.

A police agency should provide six types of training: basic, field, specialized, advanced, refresher and remedial.

- **Basic Recruit Training:** Recruit training prepares new officers to function as policemen and policewomen. Its purpose is to develop fundamental operational skills, to impact a department's philosophy, and to familiarize recruits with departmental policies and procedures. Recruit training is the most intensive training an officer receives and in many ways the most important. It helps form attitudes, philosophies and habits that influence officers throughout their careers. Every sworn member of a department must go through recruit training. Recruit training is classroom based, though it should also include field exercises.

The Municipal Police officers' Education and Training Act requires that officers receive a minimum of 919 hours of basic instruction. Instruction must include the vehicles code, the crimes code, rules of criminal procedure, legal issues, investigative techniques, interviews, interrogation, surveillance, firearms, first-aid, collection and preservation of evidence and a variety of other topics important to the recruit.

- **Field training:** Field training is an extension or continuation of recruit training. Assigning a recruit to work in the field with an experienced patrol officer or number of patrol officers is the central feature of field training. It is on-the-job training in the truest sense. Field training must be designed to enable recruits to apply and practice in the field what is taught in the classroom.

Field training officers must be selected very carefully since the success of field training depends, ultimately, upon the ability of field training officers to instruct and guide. The following factors should govern selection:

- a. **Desire to serve:** Only enthusiastic volunteers should be considered. Half-hearted instruction is inadequate.
- b. **Ability:** The training officer should be able to properly demonstrate approved techniques for conducting both routine and non-routine duties. The training officer must have mastered all tasks of the uniformed patrol officer.
- c. **Attitude:** A field training officer must have a positive attitude toward top management, command and supervisory officers and the policies of the organization. The attitude conveyed to the recruit must consistently be one of a professional police officer dedicated to public service. The recruit will look to the training officer for interpretation of policy, will begin to internalize attitudes toward the public, and will learn intangibles of police service which can never be completely transmitted in the classroom. Therefore, the examples shown to the recruit must be exceptional.

Neither age nor seniority should be given any great weight in the selection of a field-training officer, since ability and attitude are not related to age.

Field training officers should be instructed on how to conduct field training. They should have field-training guides and lesson plans. The guides should state training objectives and describe preferred training methods. Lesson plans should familiarize field-training officers with what recruits are to have learned during recruit training. The field training itself should cover a majority of the situations the trainee will encounter when he or she performs independently.

It is essential to formally evaluate the performance of recruits. Weekly evaluations are counseling sessions to discuss evaluations and permit recruits to ask questions. Sessions should be private and confidential. At the end of the training period, field-training officers should recommend retention, termination, or retention with additional training and/or monitoring. All recommendations must be justified and documented. A recruit whose termination is recommended should be entitled to basic due process protections. Field training should last at least three months.

- **Specialized Training:** Specialized training prepares those who serve on special assignments or conduct special activities, either managerial or technical, to function more effectively. It is designed to develop skills, abilities and attitudes in areas not dealt with during recruit and field training. Executive development, supervision, crime analysis, data processing, juvenile investigations and records management exemplify this class of training. Training to provide new skills and information to those in patrol, investigations, or other basic departmental assignments also qualifies as specialized training.

Whenever possible, every sworn and non-sworn individual who functions in a specialized job should be trained for that job prior to assignment. This is especially essential for new patrol and other supervisors who command large groups of personnel. To ensure that all who require specialized training receive it, a police agency must maintain an inventory of jobs requiring specialized training, the amount and kind of training required, and determine whether incumbents of the jobs have the requisite training.

- **Advanced Training:** Advanced training is a form of specialized training. The term is reserved, however, for training designed to impart the skills, knowledge and attitudes required for the highest executive and leadership positions in an agency. Advanced training is mainly available from outside providers. The FBI National Academy, Southern Police Institute, Northwestern University Traffic Institute, and the International Association of chiefs of Police are the best-known providers of advanced training. A department should ensure that all personnel serving in leadership and executive capacities, or being groomed for leadership, receive advanced training.
- **Refresher Training:** Refresher training is designed to reinforce, update and review, aspects of the basic training curriculum. Duration can vary from a few minutes during roll call to a week or more in a classroom or academy setting. A Department should use the roll call constantly to provide refresher training. patrol officers should have a 40-hour refresher session every year. Curriculum should be geared to areas of critical significance and to problem areas. Arrest procedures, officer safety, report writing and community relations are examples of refresher training. The MPOETC annual mandatory training

meets this training area for the most part, however, Police chiefs have continued to lobby for improvement in the selection of topic areas.

- Remedial Training: Remedial training is designed to correct specific deficiencies of individual officers. Supervisors normally discover deficiencies during the course of work, by instructors during training sessions, through preparation of evaluations, or during testing. A Department should insist on remedial training for all officers who exhibit continuing deficiency in important aspects of job performance.

To maximize the quality of training, a department must ensure that all courses are taught by certified or otherwise qualified instructors. Instructors must be supervised and evaluated by a department's training director and trainees. Trainees should be tested and evaluated frequently to ensure the course material is being absorbed effectively and at expected rates. Course design is critical. Every course must have performance objectives. Performance objectives specify what course participants are expected to learn and provide a basis for evaluating participant achievement, as well as the content of a course itself. There must be a lesson plan for each course, consisting of performance objectives, an outline of course content, required sequence of presentation, recommended instructional techniques, references, instructor and student work materials and evaluation materials. Most courses should provide material geared to job tasks. This requires that job analysis precede course design. These criteria should be used to select courses provided by outside providers, as well as to guide development of courses.

Large police departments should have a full-time training unit. The unit should identify training needs of every member of the department; ensure that training needs of every member of the department are met expeditiously; plan, develop, present, and/or arrange for presentation of training courses; select instructors; schedule training courses and attendance of personnel; ensure that personnel attend courses; evaluate courses and instructors; and maintain training files. Small departments should have a training coordinator.

Responsibilities; authority; functions and duties of training units; training goals; policies and procedures; and the training obligations of department personnel should be covered in a written directive. The directive should also declare a department's commitment to the highest level of education and training attainable.

Current conditions in the Warren City Police Department

The Department requires a high school diploma for the position of police officer. The national average is 13.5 years across the police profession. Most Warren City Police officers have earned a Bachelors Degree.

The captain, and three sergeants have attended the Pennsylvania State University POSIT and the captain and two sergeants attended POLEX. One sergeant attended the FBI National Academy training program. The chief and one sergeant are currently enrolled in Northwestern School of Staffing and Command. This is particularly commendable for a medium sized department.

Evaluation:

The Department's training program appears to be in conformance with professionally accepted standards. The Department has members trained as instructors in areas previously discussed in this report.

Recommendation:

To strengthen the training function, the Department should consider the following actions:

1. Utilize the full range of training areas as described above.

V: FACILITIES, VEHICLES AND EQUIPMENT**A. FACILITIES****Current Conditions in the Warren City Police Department**

The Police Department headquarters is located in a wing of the municipal building. The Police Department rooms are as follow:

- a. Chief's Office
- b. Captain's Office
- c. Rest Room
- d. Detective's Office
- e. Cell Block with Audio Visual Monitoring
- f. Interview Room with Audio Visual Monitoring
- g. Sergeant's Office
- h. Records Room
- i. Basement contains Records, Locker Room, Evidence and Break Rooms

Finding:

The facility is clean and adequate for its purpose.

B. VEHICLES

The captain coordinates the vehicle fleet records keeping. Private vendors service the fleet. Two vehicles are replaced every other year. The current fleet is as follows:

**TABLE 5
VEHICLES INFORMATION
WARREN CITY POLICE DEPARTMENT**

Equipment #	Year/make	Description	Mileage	Condition
CSO	2017 Ford	Explorer	4,542	Excellent
W-1	2011 Chev	Caprice	64,530	Good
W-2	2010 Ford	Explorer	28,190	Good
W-3	2016 Ford	Explorer	30,177	Good
W-4	2013 Ford	Explorer	85,606	Poor
W-5	2013 Ford	Explorer	74,423	Poor
W-6	2010 Ford	Explorer	50,307	Good
W-7	2009 Chev	Avalanche	28,981	Good

Source: Warren City Department Records

Finding:

The current vehicle fleet is impressive. The Department has a two year capitol replacement program for vehicles.

C. EQUIPMENT

The Department captain/Quartermaster is tasked with conducting and maintaining an inventory of property and equipment.

Recommendation:

1. Conduct annual inspections to maintain an up-to-date inventory.

VII: GOVERNING BODY – POLICE DEPARTMENT RELATIONSHIP

The Warren City manager is given the authority and responsibility to govern the Police Department. The chief works with and reports to the manager as he fulfills his responsibilities. The chief attempts to keep City Council and mayor informed of matters of mutual concern and/or interest.

Current conditions in the Warren City Police Department

There appears to be a healthy and positive relationship with the governing body and the Police Department personnel.

Recommendation

To strengthen the Governing Body – Police Department relationship, the City should consider the following actions:

1. Work jointly to develop a plan to meet the future financial and operational challenges facing the City and the Police Department.

APPENDIX B

STANDARDS FOR EFFECTIVE LOCAL GOVERNMENT: SELF-ASSESSMENT ONLY

Departmental directors in the service areas of public works, parks and recreation maintenance, and police participated in the organizational self-assessment. The self-assessment of these departments was conducted independently of the operation reviews of those departments presented elsewhere in this Early Intervention Program report.

PUBLIC WORKS

The public works function covers overall management of public works, municipal streets, storm water management, solid waste management and recycling, and wastewater treatment.

Standards for Effective Local Government — Twenty-one of the 27 standards related to Public Works were assessed by the Public Works Director as “Met, Effective.” Six related to “Solid Waste Management” were not addressed as the service is contracted to an outside provider.

Met, Effective — 21 standards: the individual responsible for public works supervision is competent; training is provided on a regular basis for public works employees; there is an implementation plan for budgeted activities; the vehicle and equipment replacement schedule is based on comprehensive maintenance records; there is a system for monitoring the implementation of public works projects; regular progress reports on the implementation of public works projects are provided to the manager and council; municipal facilities are maintained on a regular basis in accordance with policies and procedures designed to preserve the assets and reduce risk of injury; the roles and responsibilities of the public works department in response to natural or man-made disasters are included in the emergency management plan; municipal streets and appurtenances are well maintained; road improvements are based on a systematic multi-year pavement management program; state standards guide the maintenance of roads construction, repair and resurfacing; all streets are signed; berms, catch basins and storm sewers are cleaned on a regular basis; municipal regulatory signs are installed, maintained and supported by ordinances; winter maintenance for roads is based on a snow and ice control plan, vehicles and equipment are maintained in good working condition, and training as necessary and appropriate is provided; a shade tree program is guided by a comprehensive plan based on an assessment of the trees, priority setting and budgetary allocations; the sewage treatment plant is operated by trained and certified personnel; the city has a preventative maintenance program for sanitary sewers within its jurisdiction; interagency agreements pertaining to transport of sewage are up to date; the city has adopted ordinances and regulations in accordance with Act 167; and the city has an adopted sewage facilities plan.

PARK/RECREATIONAL FACILITIES MAINTENANCE

Parks/Recreation Facilities Maintenance function consists of the availability of parks and recreation activities, maintenance of facilities and safety, and personnel selection, supervision, training and reporting.

Standards for Effective Local Government — 14 standards under the Parks and Recreation function were divided into the availability of parks and recreational activities; maintenance of facilities and safety; personnel selection, supervision, training and reporting; and the recreation board. All 14 were assessed as “Met, Effective.”

Met, Effective — 14 standards: availability of parks and facilities; the existence of park and recreational facilities inventory; periodic citizen satisfaction surveys; the regular inspection and on-going maintenance of recreational facilities; consistent clean-up of litter, rest room cleaning and grass cutting; the adoption of rules and regulations for park/facilities use; the adoption of crime and vandalism policies coupled with incident reporting process and regular police patrols; staff oversees all park and recreation land, facilities and equipment for upkeep and safety; and parks maintenance personnel are provided training opportunities.

POLICE

The categories assessed were; adequacy of police manpower, communications, records, police vehicles – other equipment, distribution of police personnel, police personnel selection, guidelines for police operations and conduct of personnel, physical fitness and wellness and police training. For each standard, there is an opportunity to comment about the standard. A summary of the comments made by the Police Chief are presented in addition to a compilation of the standards assessed during the review process.

Standards for Effective Local Government – Of the 41 standards related to Public Safety – Police, 39 were assessed as “Met, Effective;” one, “Not Met;” and three had no response.

Met, Effective – 39 standards

Adequacy of Manpower - the number of police officers is sufficient to provide police coverage and service seven days a week, 24-hours a day; there is back-up support for officers on duty; emergency response time is approximately 6 minutes; there is internal capacity to handle investigations; personnel are trained and functioning in such specialized areas as juvenile and narcotics activities; personnel and other resources are sufficient for crime prevention and police-community relations activities; police department staffing is sufficient to permit the Chief of Police to adequately perform the role of supervisor and manager; police department personnel is sufficient to permit officers to regularly attend in-service training programs and still have the community adequately covered; and policies and procedures and a monitoring system are in place that guard against unnecessary and/or inappropriate absenteeism.

Communications — the call-taking and dispatch system serving the police department is in operation 24-hours a day, seven days a week; all personnel dispatching police or other emergency personnel have had special training for this function which enables them to give pre-arrival instructions to the caller, and to prioritize dispatching when necessary; number of call-takers/dispatch personnel is sufficient to answer at least 90% of all calls within ten seconds; the communications system has two-way radio capacity, allowing for continuous communication between the Center and the officers on duty; written directives establish the authority and responsibilities of personnel assigned to the communications component, and procedures governing the handling of information obtained by telephone, radio, teletype and automated data systems, including matters of confidentiality; the communications system provides for linkage to other local, state, and national criminal justice and emergency agencies/networks; there is multi-channel mobile and portable radio equipment capable of two-way operation; there is an alternate source of electrical power sufficient to ensure continued operation of communications equipment; there are established procedures for monitoring the status of officers on duty; and all calls for service are logged in accordance with a written directive.

Records — a written policy establishes procedures and responsibility for police record-keeping; a written policy conforming to national standards establishes the manner in which police reports are prepared and meet confidentiality regulations; maintenance of and access to criminal history records are in conformance with law; supervisors review/monitor police reporting; incident reporting procedures and practices exist and are followed; an incident index and property recovery database are maintained; the department maintains a repository of records to include

offense reports, on-view arrest reports, and traffic incidents; and there is regular reporting during the year of police activity, based on records, and periodic reporting to elected officials, management, the media and citizens.

Police Vehicles and Other Equipment — police vehicles, sufficient to support one- and/or two-person patrols, and investigative work, are always available, and in good working condition; other police equipment necessary for the performance of police duties, and the safety of officers is available and in good condition; supervisory personnel have independent transportation to support their supervisory responsibilities; a maintenance and replacement schedule for police vehicles, to assure high performance, safety, and cost-effectiveness, exists, and is part of an overall, formal, municipal policy governing maintenance and replacement.

Distribution of Police Personnel — when possible, the allocation of patrol personnel is based on an assessment of need, i.e. those areas with the highest concentration of problems receive a higher degree of police attention.

Police Personnel Selection — Police selection is governed by a merit system; those responsible for police recruitment, conduct of written and oral examinations, preparation of eligibility lists, and other matters related to police selection/promotion/discipline, are qualified by education and/or experience and training to perform these functions; questions on both the written and oral examinations are job related, resulting from a job analysis of the position involved; has promulgated comprehensive rules and regulations governing the process; before the hiring decision is made, a background investigation of each individual is conducted, physical fitness and psychological examinations are conducted by qualified personnel, individuals who are candidates for supervisory or management positions have had, or are required to undergo, higher level training in police management prior to assuming their duties, candidates for both entry level and promotional positions are required to serve a probationary period, candidates for the position of Police Chief must meet higher standards with respect to education, managerial/leadership experience, and selection procedures, the work performance of each probationary employee is formally evaluated during, and at the end of, the probationary period, a formal, written, assessment process is used rather than casual observation and comment with no candidate is offered a permanent position if, during this period, there are indications of problems or lack of ability to perform up to expected standards, causes for disciplinary action and the process by which disciplinary matters will be handled, including due process.

Guidelines for Police Operations and Conduct of Personnel — the police department has an up-to-date police operations manual which sets forth established policies and procedures governing the major operational aspects of departmental work. This includes delineating the responsibility and authority of departmental personnel, and expected conduct of officers, supervisors, and civilian employees.

Physical Fitness and Wellness — the municipality has in place policy requiring regular physical examinations for police officers, and which encourages participation in wellness programs.

Police Training — police officers of all ranks are afforded the opportunity to attend in-service training courses, beyond the minimum required by the Commonwealth of Pennsylvania.

Not Met — one: the civil service commission or other authority is charged with police recruitment, selection, promotion and discipline.

No Response — one: there was no response to the standard associated with the extent of the coverage of the 911 communications system.

Summary — Police Department Comments.

- **Adequacy of Manpower** — currently, the police department has 16 police officers with 12 of the 16 being patrol officers. The Police Chief, in his comment related to adequacy of manpower, cited national standards set by the International Association of Chiefs of Police, which indicate that the police department complement for a population the size of Warren's would be 22 based on 2.2 officers per 1,000 local residents.
- **Backup Support** — Warren has a call out list available at all times but Conewango Township, the Pennsylvania State Police and County Sheriff's officers are available if an immediate response is necessary.
- **Response Time** — calls are answered in a timely manner and are prioritized in the event that multiple calls are received at the same time.
- **Special Investigations** — Officers are trained to conduct homicide, rape, traffic accident and crime scene investigations. The Pennsylvania State Police provide assistance, as appropriate.
- **Juvenile and Narcotics Investigations** — The department has trained personnel to operate in both areas.
- **Other Special Functions** — the City also has a dedicated community services officer.
- **Police Chief** — the department has sufficient staffing to permit the chief to manage and supervise the department.
- **Training** — police training is provided in-house or in large groups to achieve efficient use of resources.
- **Inappropriate Absenteeism** — the department has policies and practices that discourage abuse of sick time.
- **Communications** — a 911 call center under the direction and administration of Warren County serves the City of Warren. Employees of the call center are trained to handle emergency calls. Calls are transferred to another call center if the two on-duty dispatchers are handling calls to facilitate emergency response. All police and police vehicles are equipped with, four-channel, two-way radio communications systems. Emergency generators are used as back-up power sources. Dispatchers are tasked with completing status updates for officers responding to calls. All calls are documented.
- **Records** — the department has written policies governing budgeting, field reports and management with field reports routinely reviewed and approved by a supervisor. Records are indexed and maintained in accordance with the state's mandates. Monthly reports of police activity are provided to the elected officials in a format consistent with FBI standards.

- **Police Vehicles, Other Equipment** — the police department has four marked and two unmarked fully equipped vehicles. The vehicles undergo routine maintenance and are replaced every four years. Each officer is equipped with sufficient duty equipment. Vehicles are available for each officer scheduled to work.
- **Distribution of Personnel** — the department does not work on a zone basis or have areas identified as high crime and in need of special attention.
- **Police Personnel Selection** — the department has written procedures, although not under civil service, governing the selection and promotion of police personnel. Written examinations are conducted by Mercyhurst College and oral interviews by staff. Policies associated with background, psychological, physical, probationary service, higher level training for supervisory, and discipline exist.
- **Police Guidelines and Operations** — police operations manual defines authority, responsibilities and conduct of police personnel.
- **Physical Fitness** — there is policy that addresses physical fitness and wellness standards and programs.
- **Training** — police are trained from basic to advanced investigation techniques.

APPENDIX C MANAGEMENT ASSESSMENT PROCESS

PROCESS

The management assessment is based on interviews conducted in February and May 2018 with the City's administrative staff where emphasis was placed on general government and administration, financial management, and planning, zoning and development. In addition, resources including data and information obtained from City staff coincidental to the interviews, a review of the material presented on the City's website, data and information pertinent to the City of Warren gathered from the US Census Bureau's 2016 Quick Facts, and Department of Community and Economic Development (DCED) websites were utilized in the development of this report.

Following the interviews in February 2018, the City participated in the *Standards for Effective Local Government* small community, self-assessment process. All functions of government were assessed. The assessment established a base line of current circumstances and serves as an organizational tool to determine where resources and efforts should be focused. An eleven step "Action Planning Process" encourages priority setting for short and long term with an opportunity to assess the organizational and financial feasibility of implementing changes.

Standards for Effective Local Government, created by a group of local government professionals on behalf of the Southwestern Pennsylvania Commission in conjunction with the Pennsylvania Department of Community and Economic Development (DCED), provides local governments with a means to assess its administrative and operational strength and capacity as well as a tool for action planning to address deficiencies. The standards are rooted in the concept of viability where sustainable local governments function adequately and independently, adapt to current circumstances and have the capacity to generate sufficient financial resources. A copy of *Standards for Effective Local Government* workbook may be downloaded via <http://www.spcregion.org/pdf/commasst/standards.pdf>.

The assessment is performed by a person(s) with knowledge about the area under consideration. Commentary is provided with each standard. Each standard is assessed as "Met, Effective," "Met, Ineffective" or "Not Met." It is expected that some standards will not be universally relevant. For those standards assessed as "Met, Ineffective," or "Not Met," an action planning process consisting of 11 steps is recommended. Action planning would become part of the implementation stage of the EIP. The details of the action planning process are presented in Appendix E.

APPENDIX D ACCUFUND INFORMATION

AccuFund is a municipal accounting software package in use by Pennsylvania municipalities such as Greenville, Mercer County and Upper St. Clair, Allegheny County. The software's modules are designed to meet national governmental accounting standards as well as the characteristics of small communities. Municipalities buy licenses for the modules specifically for their operational needs. Modules can be added over time as circumstances change. Although AccuFund is headquartered near Boston MA, there are resellers in eastern, central and western Pennsylvania who license, install, train and provide support to their clients.

The AccuFund Accounting Suite is available as a cloud based solution or licensed for on-premise client use. The firm will work with the client to determine which option is most appropriate.

The information provided here is an illustration for the City's consideration and is based on the consultant's direct experience with municipal, fund-based accounting systems.

The cost of the software would be determined on the number of users within the City. An estimated cost for software that would include accounting, accounts receivable, budgeting and reporting, payroll, fixed assets and human resources modules for three administrative users would range from \$27,000 to \$40,000 depending on whether the City would license the software for use on its own computer system or choose an on-line option.

The City Manager indicated that the City's computer hardware was sound and would likely support any software changes or additions. Transition from the current Freedom Systems financial management software to Accufund is possible. If the City opts to implement the recommendation to change financial software, the City would be encouraged to include it as an EIP implementation project and seek DCED funding support.

AccuFund Computer System Requirements

AccuFund

By default, AccuFund utilizes the Sybase SQL Anywhere (ASA) database from Sybase, Inc. an SAP company for the AccuFund Accounting Suite. The system uses a client/server technology with the data being provided from the server, and most computation activity happening on the client workstation.

AccuFund also supports Microsoft SQL Server 2008 and above. For clients preferring MS SQL, they are responsible for acquiring and maintaining the server software. For MS SQL Express, AccuFund will work fine, within the 10 GB database size restriction of this version.

The database provides multi-user control at the record level, transaction framing with rollback to protect the data in case of a network or hardware failure and "check-point" backups to insure that all records are written to the database before backups.

There is no requirement to purchase separate database software with AccuFund for those utilizing the ASA version, unlike some of the more expensive systems. All required database software is included with the purchase of the AccuFund Accounting Suite.

System requirements defined below are categorized as minimum and preferred system requirements. Adding additional hardware will usually improve system performance and user satisfaction.

These requirements are estimates and will vary depending on size of organization and other applications residing on the server and workstations.

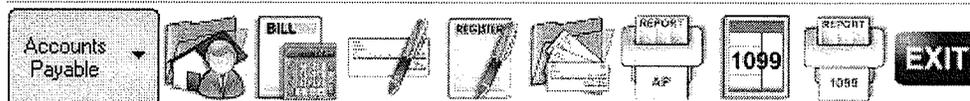
Client Workstation	Server Requirements
<ul style="list-style-type: none"> · Operating System Windows 7, Windows 8 or Windows 10 · CPU Minimum: Intel Core i3 or equivalent Preferred: Intel Core i5 or equivalent · Memory Minimum: 1 GB Preferred: 2 GB · Local Disc Space Minimum: 150MB Preferred: 150MB 	<ul style="list-style-type: none"> · Operating System Larger Systems: Server 2008 or later 2-3 user systems: Windows 7 or later · CPU Minimum: 1.5 Ghz for small office just running AccuFund on server Recommended: Dual Core 2.0 Ghz Server sizing depends on number and mix of uses, and number of user processes. Server sizing should be done in conjunction with hardware provider and full understanding of server utilization. · Memory Minimum: 4 GB Preferred 6 GB, recommended 8 GB or more (in larger environment, 20 users and above, database will be set to reserve 1 GB exclusively for the DB on the server for improved performance) · Disk Space Disk usage on the server will depend on size of the organization which modules are utilized and back up location. An organization with \$10 million in revenue utilizing most of the modules should plan on 100 MB the first year and 65 - 75 MB each additional year. For a \$20 million organization the disk

Client Workstation	Server Requirements
	<p>space requirements would double. Utilization of document storage capabilities will significantly increase storage requirements. We recommend that all scanners be set to 200x200 scanning.</p>

AccuFund® Accounting Suite For Government

Easy to Use

AccuFund's straight forward design makes the software easy to use for government municipal accounting while fulfilling all the reporting requirements of your organization. You customize the system for your organization's needs – specify the account structure you need so data you enter may be reported the way you need. *AccuFund* uses an intuitive interface making it easy for new staff to become familiar with the system. User productivity features such as at-a-glance cash balances by bank contribute to your accounting staff's efficiency. When users need information, the report writer makes it easy to give them what they need, and delivery can be direct from the system to the user through your Email, saving you time and resources.



AccuFund workflow task bars utilize icons to put all the functions you will need at your finger types and in the order you will typically use them.

A standard toolbar is provided to give you quick access to your day-to-day functions. Tool tips (balloon help) are provided on each field. Property sheets (tabbed folders) are used so all information is available in a concise and easily attainable manner.

On-premise or Cloud Subscription Options

AccuFund is delivered as either a licensed on-premise solution or as a cloud subscription solution. *AccuFund* Anywhere provides access from any workstation on the internet as long as it supports one of several main-stream browsers. Decide which licensing method is right for your organization, *AccuFund* is ready to deliver it's benefits to you either way.

With AccuFund all of the following components are included in the Core system without having to pay extra.

- General Ledger**
- Financial Report Writer**
- Accounts Payable**
- Cash Receipting**
- Bank Reconciliation**
- Dashboards**
- System Security**
- Forms Designer**
- Data Imports and Exports**
- Tablized Account Structure**
- Document Imaging throughout**
- EFT payment in Accounts Payable**

AccuFund for Government includes these modules fully integrated in the system:

- Utility Billing
- Sales Tax
- Licenses and Fees
- Court Fines
- Real & Personal Property Tax Billing
- Building Permitting & Inspection
- Work Orders

Recent Recognition

AccuFund is regularly recognized in the press for its leading position in the government and nonprofit accounting market. It is included in the *Accounting Today* Top 100 Accounting Software Programs. For the last several years it has received 5 stars from the *CPA Technology Advisor*, its highest ranking. Other publications recognize *AccuFund* for its easy of use and completeness of solution.

General Ledger

The General Ledger is the repository for all financial information in the *AccuFund* system. Create any account structure that matches your requirements. Use up to 255 alpha-numeric characters and any number of segments in your account number. The system provides automatic due to / due from accounting to

keep all funds in balance. The General Ledger component can:

- ✓ Classify your accounts to easily produce your GASB and other financial statements
- ✓ Manage all multi-fund, multi-fiscal period activity
- ✓ Automate your year-end processes.
- ✓ Track all budget, actual, encumbrance and memo journal entries
- ✓ Keep an unlimited number of years of information on-line, and enter transactions to any year and date

Accounts Payable

The Accounts Payable component tracks and pays all your bills. You enter your invoices and manual checks only once. The system automatically posts the resulting accounting entries to the proper accounts. Included is a custom forms designer so you can produce laser checks

which include your logo, MICR check coding and other unique information. Also included:

- ✓ Unlimited number of bank accounts
- ✓ Manage each bank account on a cash basis even though the accounting is accrual based
- ✓ Integrated with the bank reconciliation for all checks that have been produced
- ✓ Easy-to-use mark bills for payment process, see the invoices you will be paying and their affect on your cash balance
- ✓ Separate check functionality
- ✓ Specify amount of each invoice to include for 1099 reporting

Financial Report Writer

The Financial Report Writer component allows you to produce specialized financial presentations required by your management, board and granting agencies. Other features of this component:

- ✓ Includes a "Drill" function with ability to look at source accounts and transactions under any data cell
- ✓ Include year-to-date, period-to-date, range amounts and inception-to-date balances
- ✓ Define custom headings, columns and rows
- ✓ Use of Classification system allows accounts to be presented and summarized in different ways on various reports
- ✓ Produce required GASB reports directly from the *AccuFund* system
- ✓ Include graphical elements, images, lines, etc. in produced report
- ✓ Produced reports can be saved into a spreadsheet for further analysis

Dashboards

Provide current graphical data on any indices that are import to financial or department users including AR aging, Cash balances, departmental budget to actual expenses as examples.

Cash Receipts

The core *AccuFund* suite includes a Cash Receipts component to record cash being received by your organization. Each transaction can be distributed to as many revenue or receivable accounts as necessary. The system records the offset to undeposited cash, maintaining proper separation of receipt and deposit functions. The Cash Receipts component is integrated with Accounts Receivable and Utility Billing if installed. Deposits are recognized in the Bank Reconciliation component, providing a complete bank account reconciliation. The component utilizes the Forms Designer, providing all necessary reports.

Bank Reconciliation

The Bank Reconciliation component provides full reconciliation of all *AccuFund* bank accounts. All checks and deposits are combined in a single, simple to use system. Also provided in this component:

- ✓ Prior reconciliations may be kept indefinitely for review and reporting

- ✓ Any fees or interest earned may be recorded at the time of reconciliation
- ✓ You may mark a numerical range of checks to simplify the reconciliation of a large group of checks
- ✓ As you mark checks and deposits individually, you will see where you are in comparison to the bank statement

System Security

The System Security component gives you control over who has access to the various functions within the *AccuFund* accounting system. Each user is assigned a unique identifier and password. You designate individual access to Accounts Payable, Accounts Receivable or even a specific function within those components. For data entry screens the system administrator may define read, write and delete capabilities to each user.

Forms Designer/Data Export

Integrated into all components of the *AccuFund* system is a forms and report designer. Use the standard reports as a starting point, copy and change the reports to match your specific needs. When designing forms you have access to:

- ✓ Any graphical image such as a logo or other image

Activity Date	Activity Typ	Reference	Type	Lookup	Name
1/30/2009	Check	0000126	<none>	TT	TT
1/30/2009	Check	0000127	<none>	ACC001	AccuFund, Inc.
1/30/2009	Check	0000128	<none>	ADV001	Advantage Laser Produc
1/30/2009	Check	0000129	<none>	CCD001	Colorado Custom Decks
1/30/2009	Check	0000130	<none>	MID001	Mideast Lab Supply
1/30/2009	Check	0000131	<none>	OMAX	Office Max
1/30/2009	Check	0000132	<none>	PSC001	Public Service of Colora
1/30/2009	Check	0000133	<none>	USW001	U.S. West
2/27/2009	Check	0000134	<none>	ACC001	AccuFund, Inc.
2/27/2009	Check	0000135	<none>	ADV001	Advantage Laser Produc

Summary Statistics:
Current Balance: -54,638.34
Unpaid Bills: 100.00
To Deposit: 95,849.37
New Balance: -40,111.03

The Register gives you a view of the status of each bank account

- ✓ Lines, boxes and shading
- ✓ Any report can be used as a basis for exporting data to Excel, CSV, or text files

Data Import

The Data Import component consists of a series of wizards that let you import data into the *AccuFund* accounting system. Each wizard steps you through choosing the source file for the import, the columns in which the data is located and then imports the data. Some of the features included in the data import wizards are:

- ✓ Support for all common interface formats including fixed field, comma delimited and spreadsheet formats
- ✓ Each wizard "remembers" how and what you last imported. The next time you need to import the same information, it's all setup and ready to go

Additional AccuFund Components

Additional components are available for the *AccuFund Accounting Suite for Government*. These components extend the capability of your accounting system in specific ways.

Utility Billing

The Utility Billing system is designed to manage all your utility billing needs. This complete system tracks your billing by service location to facilitate customer changes. An unlimited number of meters, charges and location notes can be attached to any service location. Charges are individually tracked for proper application of customer payments.

Personal and Property Taxes

The Personal and Property Taxes module is where you will define your various taxes on personal or real property. It is designed to easily import your real property data from the source of your assessor's valuations and then within AccuFund you will define the actual calculations used in generating the tax amounts. This module also utilizes the Reports and Forms Designer to layout and produce your tax bills and forms. You have complete control over the definition of billing periods.

Fees, Licenses and Taxes

The Fees, Licenses and Taxes module includes the functions a Town/City Clerk needs for licensing including premise certificates, sales tax, building permits and more. Any of the basic certificates required in a municipality can be printed directly from this module including serialized licenses. For Sales Tax, the module keeps track of payment cycles and can report missing cycles even if subsequent payments are received.

Building Permitting and Inspections

Building Permitting and Inspections is a flexible module designed to manage all steps in permitting and inspecting building projects.

Court Fines

Court Fines provides municipalities and governments entities an integrated solution to tracking fines for traffic, parking, inspectional services and other fines. The system keeps track of bonds, court dates and payments. In the case of a refunded bond, it is integrated with the accounts payable system for seamless payment.

Work Orders

Work Orders is designed to track internal and external service requests. Track citizen requests for service such as down trees, missing signs, hydrant leaks, etc. Internal track department service requests such as for maintenance or IT activity. Finally track service requests for fleet management through linkages to the fixed assets system.

Budget Development

Budget Development provides a framework for department managers to enter and develop budgets for fiscal years and grant years. The Budget Manager controls the process while each department manager has access to their own

budgets. An unlimited number of budget revisions is supported per year.

Purchasing/ Inventory

The Purchasing and Inventory component manages your purchasing and in-house inventory needs. The system will track inventory and non-inventory purchasing, inventory

The screenshot displays a software interface for utility billing. At the top, a dialog box titled "Service Location will be Changed" is open, showing fields for Location (1 MAIN), Address (1 Main Street), Customer (1st National Bank of Jellico), and other details. Below this, a "Locate" table is visible, listing various activity dates, billing types, and consumption amounts for different locations. The table includes columns for Activity Date, Billing, Lookup, Name, Adj, Consumption, and Billed. The total owed is shown as 0.00.

Activity Date	Billing	Lookup	Name	Adj	Consumption	Billed
2/16/2015	WA COM	12	1st National Bank of Jellico		2000	49.75
2/16/2015	GA COM	12	1st National Bank of Jellico		3500	22.75
2/16/2015	GA COM	12	1st National Bank of Jellico			120.00
1/16/2015	WA COM	12	1st National Bank of Jellico		2000	48.75
1/16/2015	SW COM	12	1st National Bank of Jellico		2000	18.50
1/16/2015	GA COM	12	1st National Bank of Jellico			120.00

AccuFund uses a concept of locations in Utility Billing, maintaining a history of activity even when ownership of property changes.

levels, and departmental issues. If your organization also sells stock items, the inventory add-on is available from the Accounts Receivable component. Additional features of this component are:

- ✓ Internal forms designer allows you to design purchase orders to include the information you require for ordering
- ✓ Real-time update from receiving function
- ✓ Automatically maintains encumbrance entries
- ✓ Integrated with Requisition component and allows consolidation of multiple requisitions into a single purchase order

Requisition Management

Many organizations need to maintain expense control, but cannot because of the difficulty in managing the flow of requests for supplies and materials. The Requisition Management component allows you to manage the request process electronically from initial request to purchasing. The requisition component includes the following features:

- ✓ Multiple levels of approval
- ✓ A requisitioner may be in more than one approval hierarchy
- ✓ An approver may approve more than one hierarchy tree
- ✓ Approvers may add comments to approved as well as disapproved requisitions
- ✓ After final approval, the module may be set to automatically generate Purchase Orders.

Accounts Receivable/Inventory

The Accounts Receivable component manages all receivable activity for your organization. Invoices are

tracked as open items so as payments are received you can apply them to the appropriate invoice.

Fixed Assets

The *AccuFund* Fixed Assets component is designed specifically for use by non-profit and government agencies. It is integrated with the Accounts Payable module, allowing detail asset information to be entered as part of the invoice entry process, or it may be entered separately through the Fixed Asset system directly.



Payroll & Human Resources

AccuFund Payroll is a group of modules providing a complete solution for your agency. It includes Payroll with labor distributions, fringe expenses to follow labor, accrual balance checking on the fly, multiple rates per employee, and direct deposit to multiple banks the *AccuFund* Payroll module is for you. Human Resources integrates with payroll to track unlimited demographic information about your employees. Employee Portal is a web-based module including timesheet entry with supervisor approvals, employee self service for open enrollment periods and a reporting and dashboard module to easily deliver dashboards and financial reports to your users.

Grants Management

Most government agencies receive grants for economic development, safety and housing purposes. The Grants Management module tracks all of the non-financial data regarding a grant such as report due dates, contacts, scheduled tasks, etc. It has a direct connection to the General Ledger providing financial information formatted to match the budget categories of the grant.

Annual Phone Support /Maintenance

Support/Maintenance and Enhancements is available for 25% of the current purchase price of all licensed software. You may make unlimited calls to our toll-free number available from 9:00 a.m. EST to 4:00 p.m. PST Monday through Friday to resolve issues and problems with the software. Maintenance provides access to all enhancements and improvements to the product. Annual maintenance and phone support are required for the first year.

Safety of Your Data

AccuFund, Inc. knows your data is important. Nothing is better than a routine back-up process to make sure you can recover your data in case of an emergency. *AccuFund* helps you with this by insuring the integrity of your data during posting. The software uses the Sybase iAnywhere database and *transaction framing with automatic rollback* to help insure the integrity of your data. Microsoft SQL Server 2008 is also an option at client expense.

System Requirements

The *AccuFund* system utilizes technology designed to be easy on your budget. In many cases, if your hardware system was purchased in the last several years it will still satisfy the system requirements.

Server Requirements

The hardware requirements depend on the number of applications running on the server, type of operating system, size of organization, number of users, and components utilized on the server. For the Server, *AccuFund* will operate on Windows Server all recent versions. If *AccuFund* will be the only application running on a server, it should be at least a Xeon processors or equivalent with 6 GB of RAM.

Workstation Requirements

The workstations may be operating Windows 7 and above. The hardware should be at least Pentium 4 processor with 1 GB of RAM depending on operating system and other factors. *AccuFund* will operate in a Microsoft Terminal Services or Citrix environment for organizations preferring to minimize network traffic.

Implementation Assistance

The *AccuFund* Accounting Suite is supported by authorized resellers throughout the country. Every reseller is experienced with accounting software, the specific needs of government and nonprofit organizations and has been specifically trained by *AccuFund*, Inc. in the setup of *AccuFund* and training of an accounting department staff. The consultant assigned to work with you will develop an implementation and training plan specific to your timing, staff needs and project completion requirements.

Revised 10/15

Learn More About AccuFund

For a demonstration, additional information or the reseller nearest you, please contact us by email at sales@accufund.com or call 877-872-2228 Ext 215
AccuFund, Inc. 400 Hillside Avenue, Needham, MA 02494
Visit us on the web at www.accufund.com

AccuFund is a Registered Trade-Mark of AccuFund, Inc.

APPENDIX E

GFOA POLICY STATEMENT RECOMMENDATIONS

The text of the management assessment contains various financial policy recommendations. In support of those recommendations, sample policy statements developed by the Government Finance Officers (GFOA) are presented to guide the City's review and deliberations. The GFOA is the nationally recognized public sector financial management resource for municipal financial practices and standards. The sample policy statements and supporting documentation may be accessed for free on it's website, www.gfoa.org, by choosing the "Products and Services" Tab.

The examples focus on budgeting, accounting and capital improvements planning and budgeting practices and processes.



Government Finance Officers Association

BEST PRACTICE

Multi-Year Capital Planning

BACKGROUND:

Infrastructure, technology, and major equipment are the physical foundation for providing services to constituents. The procurement, design, construction, maintenance, and operation of capital assets are a critical activity of governments and therefore require careful planning.

Capital planning is critical to water, sewer, transportation, sanitation, and other essential public services. It is also an important component of a community's economic development program and strategic plan. Capital facilities and infrastructure are important legacies that serve current and future generations. It is extremely difficult for governments to address the current and long-term needs of their citizens without a sound multi-year capital plan that clearly identifies capital needs, funding options, and operating budget impacts.

A properly prepared capital plan is essential to the future financial health of an organization and continued delivery of services to citizens and businesses.

RECOMMENDATION:

GFOA recommends that state and local governments prepare and adopt comprehensive, fiscally sustainable, and multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three years, preferably five or more.

Identify needs. The first step in capital planning is identifying needs. Governments should develop a capital asset life cycle for major capital assets. The capital asset life cycle should include costs to operate, maintain, administer and renew or replace the capital asset. This will assist in identifying the need and schedule for capital asset replacement or major renewal. In addition, using information such as development projections, strategic plans, comprehensive plans, facility master plans, and regional plans; governments should identify present and future service needs that require capital infrastructure or equipment. In this process, attention should be given to:

- Infrastructure improvements that support private development and the good of the public
- Changes in policy or community entity needs
- Incorporating input and participation from major stakeholders and the general public
- Projects with revenue-generating potential
- Analyze the non-financial impacts of the project (e.g., environmental) on the community

Determine financial impacts. GFOA recommends that the full extent of the capital project/asset and the associated life cycle costs be determined when developing the multi-year capital plan. In this process, attention should be given to:

- The scope and timing of a planned project should be well defined in the early stages of the planning process
- Governments should identify and use the most appropriate approaches when estimating project costs and potential revenues
 - If a government's internal resources are not sufficient to estimate a capital project's cost, revenues and/or life cycle costs, outside assistance should be procured
- For projects programmed beyond the first year of the plan, governments should adjust cost projections based on anticipated inflation
- A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, design, construction, contingency and post-construction costs
- The ongoing life cycle costs associated with each project should be quantified, and the sources of funding for those costs should be identified
 - Life cycle costs will impact future annual operating budgets

Prioritize capital requests. Though the initial prioritization process may be impacted by legal requirements and/or mandates, GFOA recommends that, when evaluating capital requests, governments should first prioritize based on:

- Health and Safety - Priority should be given to high risk safety issues that require a capital project to correct
- Asset Preservation - Capital assets that require renewal or replacement based on capital asset life cycle
- Service/Asset Expansion/Addition - Infrastructure improvements needed to support government's policies, plans, and studies

In this process, attention should be given to:

- Coordination with related entities
- Allow submitting agencies to provide an initial prioritization
- Incorporate input and participation from major stakeholders and the general public
- The impact on operating budget impacts resulting from capital projects
- Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., net present value, payback period, cost-benefit analysis, life cycle costing, cash flow modeling)
- Use a rating system to facilitate decision-making

Develop a comprehensive financial plan. GFOA recommends that governments develop a viable overall multi-year financing plan covering the multi-year period of the capital plan to ensure that the proposed capital plan is achievable within expected available resources. Financing strategies should align with expected project requirements while sustaining the financial health of the government. Governments undertaking a capital financing plan should:

- Anticipate expected revenue and expenditure trends including their relationship to multi-year financial plans and ongoing impacts to the operating budget due to the capital plan
- Prepare cash flow projections of the amount and timing of the capital financing
- Continue compliance with all established financial policies
- Recognize appropriate legal constraints
- Consider and estimate funding amounts from all appropriate funding alternatives
- Consider sources and uses for debt service
- Ensure reliability and stability of identified funding sources
- Evaluate the affordability of the financing strategy, including the impact on debt ratios, applicable tax rates, and/or service fees

Notes:
Last updated in May 2016.



Government Finance Officers Association

BEST PRACTICE

Capital Planning Policies

BACKGROUND:

Policies designed to guide capital planning help to assure that each jurisdiction's unique needs are fully considered in the capital planning process. Effective policies can also help a government to assure the sustainability of its infrastructure by establishing a process for addressing maintenance, replacement, and proper fixed asset accounting over the full life of capital assets. In addition, capital planning policies can strengthen a governments borrowing position by demonstrating sound fiscal management and showing the jurisdictions commitment to maximizing benefit to the public within its resource constraints.

Good capital planning policies can lead to the development of a capital plan that is consistent with best practices; however, they do not constitute the capital plan itself. Rather, capital planning policies establish a framework in which stakeholders understand their roles, responsibilities, and expectations for the process and an end result.¹ Ideally, such policies also include guidelines for coordinating capital projects and promoting sound, long-term operational and capital financing strategies.

To create a sustainable capital plan, the finance officer and other participants in the capital planning process need to consider all capital needs as a whole, assess fiscal capacity, plan for debt issuance, and understand impact on reserves and operating budgets, all within a given planning timeframe. Capital planning policies provide an essential framework for managing these tasks and for assuring that capital plans are consistent with overall organizational goals.

RECOMMENDATION:

GFOA recommends that governments develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment.

Capital planning policies should provide, at minimum:

1. A description of how an organization will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization.
2. A clear definition of what constitutes a capital improvement project.²
3. Establishment of a capital improvement program review committee and identification of members (for example, the finance officer or budget officer, representatives from planning, engineering, and project management, and, as deemed appropriate, operations departments most affected by capital plans, along with a description of the responsibilities of the committee and its members.
4. A description of the role of the public and other external stakeholders in the process. (The

level and type of public participation should be consistent with community expectations and past experiences.)

5. Identification of how decisions will be made in the capital planning process including a structured process for prioritizing need and allocating limited resources
6. A requirement that the planning process includes an assessment of the governments fiscal capacity so that the final capital plan is based on what can realistically be funded by the government rather than being simply a wish list of unfunded needs.
7. A procedure for accumulating necessary capital reserves for both new and replacement purchases.
8. A policy for linking funding strategies with useful life of the asset including identifying when debt can be issued and any restrictions on the length of debt.³
9. A requirement that a multi-year capital improvement plan be developed and that it include long term financing considerations and strategies.
10. A process for funding to ensure that capital project funding is consistent with legal requirements regarding full funding, multi-year funding, or phased approaches to funding.
11. A requirement that the plan include significant capital maintenance projects.
12. Provisions for monitoring and oversight of the CIP program, including reporting requirements and how to handle changes and amendments to the plan.

Notes:

¹ See GFOA Best Practices on capital planning. (Multi-Year Capital Planning (2006) and The Role of Master Plans in Capital Improvement Planning (2008)

² See GFOAs Best Practice, Establishing Appropriate Capitalization Thresholds for Capital Assets

³ Capital planning policies should be consistent with or reference an organizations debt policies

References:

- GFOA Best Practice, Asset Maintenance and Replacement, 2010
- GFOA Best Practice, Understanding Your Continuing Disclosure Responsibilities, 2010
- GFOA Best Practice, Disaster Preparedness, 2008
- GFOA Best Practice, Multi-Year Capital Planning, 2006
- GFOA Best Practice, Establishing Appropriate Capitalization Thresholds for Capital Assets, 2006

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Government Finance Officers Association

BEST PRACTICE

Capital Asset Management

BACKGROUND:

The term *capital assets* is used to describe assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets include major government facilities, infrastructure, equipment and networks that enable the delivery of public sector services. The performance and continued use of these capital assets is essential to the health, safety, economic development and quality of life of those receiving services.

Budgetary pressures often impede capital program expenditures or investments for maintenance and replacement especially for governments that don't prepare a multi-year capital plan or properly consider the impact of capital projects on the operating budget. This lack of investment makes it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organization's ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities. Government entities should therefore establish capital planning, budgeting and reporting practices to encourage adequate capital spending levels. A government's financial and multi-year capital plans should address the continuing investment necessary to properly maintain its capital assets. Such practices should include proactive steps to promote adequate investment in capital renewal and replacement and necessary expenditure levels for maintenance.

RECOMMENDATION:

GFOA recommends that local, state and provincial governments establish a system for assessing their capital assets and then appropriately plan and budget for any capital maintenance and replacement needs. This recommendation includes:

1. Developing policies to guide capital asset management practices that are supported by both finance and operational/engineering expertise. These policies should require a complete inventory and periodic measurement of the physical condition and existence of all capital assets. The assessment should document the established methods of condition assessment for all types of capital assets. This physical condition inventory and measures used should be kept current, with facility condition ratings updated every one to three years. The frequency of physical condition rating and asset inventory updates may vary depending on several factors, including the capital asset age and type, likelihood of degradation, and ease at which assessments can be conducted. A qualified engineer should assist with the preparation of the plan as it relates to infrastructure or any other

capital asset type that the governmental entity does not have qualified staff to assist.

This inventory should be linked in some manner with the government's capital assets schedule used by the accounting function such as by an capital asset tagging system. Many governments have installed "perpetual" inventory systems to maintain effective control over their tangible capital assets. Perpetual inventory systems are constantly updated to reflect additions and deletions of tangible capital assets, thus providing managers with direct access throughout the year to reliable information on current balances in tangible capital asset accounts. Such systems are needed to protect tangible capital assets from the danger of loss or misuse.

This inventory should contain essential information, including:

- Capital asset description
- Location
- Physical dimensions (if needed)
- "As-built" documents, or a link to where these are stored
- Warranties, or a link to where these are stored
- Condition rating
- Maintenance history Replacement costs (if available)
- Operating cost information (if needed)
- Usage statistics
- Date placed in service
- Original value
- Original Useful Life
- Impairments

The department responsible for managing the capital assets should assist in determining the type of information to be tracked by capital asset type.

2. Establishing condition/functional performance standards to be maintained for each type of capital assets.

1. The condition measures and related standards:

1. Should be understandable and reliable
2. May be dictated by mandated safety requirements, federal, state, or provincial funding requirements, or applicable engineering and other professional standards. These measures include state government-established standards, bridge sufficiency ratings, Pavement Quality Index (PQI) or Pavement Condition Index (PCI), Facility Condition Index (FCI), etc. Indirect measures such as water main breaks, sewage overflows, etc., are also available for certain capital asset types
3. Should be used as a basis for multi-year capital planning and annual budget funding allocations for capital asset maintenance and replacement. Assets near high risk areas such as hospitals may require a higher standard of performance and require a higher frequency of condition assessment.

3. Evaluating existing capital assets to determine if they still provide the most appropriate method to

deliver services. Understanding how critical the capital asset is to the government, the likelihood and consequence of failure of that asset, and similar factors can help the government identify the true value of the asset to effective service delivery and ensure appropriate resource allocation for maintenance.

4. Consider developing financial policies that identify and dedicate fees or other revenue sources to help maintain the expected service levels of capital assets.

5. Allocating sufficient funds in the multi-year capital plan and annual operations budget for the condition assessment determination and reporting, preventative maintenance, repair, renewal and replacement of capital assets in order to continue the provision of services that contribute to public health, safety, and quality of life of the public.

Each government should establish an on-going source of funds in both the multi-year capital plan and operating budget for the maintenance and renewal and replacement needs of its capital assets consistent with this best practice. If the capital assets are part of the function of an enterprise fund, the rates, fees and charges may need to be adjusted to meet the funding requirements.

6. Monitoring and communicating progress toward stated goals and the overall condition of its capital assets with appropriate controls to ensure the validity and accuracy of the information. This process should describe how actual condition and performance compares to the targeted standard for each asset type. For example, "Replacement cycle" can mean the number of years to replace/reconstruct an entire infrastructure network assuming an average annual level of replacement. Example: 500 miles of concrete surface streets in network/ 10 miles average annual miles of streets replaced equals a 50-year replacement cycle. This can be compared to the engineering estimate of the useful life of the average concrete surfaced street.

Governments should also review and report the actual operating impacts related to capital investments during project implementation and for a specified time period following project implementation. Governments should likewise monitor and report on the delivery of capital projects by establishing standards for planning, designing and constructing capital projects.

7. At least once every three years, providing a "plain language" Report on Capital Assets to elected officials and made available to the general public that describes:

- Condition ratings jurisdiction-wide compared to established policy standards
- Condition ratings by geographical area, capital asset class, and other relevant factors
- Indirect condition data (e.g., water main breaks, sewer back-up complaints)
- Renewal and Replacement life cycle(s) by infrastructure type
- Funding sources for capital assets, including any restrictions that might be imposed on use and/or disposal
- Year-to-year changes in net value of assets
- Actual expenditures and performance data on maintenance and renewal and replacement

compared to budgeted expenditures performance data (e.g., budgeted street miles, reconstructed compared to actual)

- Long-term trends extending over the prior four to six or more years. Year-to-year expenditure figures are less valuable due to general inflation rates and the changing supply and cost of construction contractors and contract bids over time.
- Other more "global" measures such as replacement cycle,³ year-to-year comparisons of work completed (e.g., miles of sewers, water mains, street lights, etc., repaired/replaced), book value, etc., may also be used.

Notes:

Updated October, 2017

References:

- GFOA Best Practice, Multi-Year Capital Planning, 2015 revised.
- John Vogt, *Capital Budgeting and Finance: A Guide for Local Governments*, ICMA, 2004.
- Nicole Westerman, "Managing the Capital Planning Cycle: Best Practice Examples of Capital Program Management", *Government Finance Review*, 2004.
- GFOA Best Practice, Incorporating a Capital Project Budget in the Budget Process, 2007.
- GFOA Best Practice, Determining the Estimated Useful Lives of Capital Assets, 2007.
- GFOA Best Practice, Capital Project Monitoring and Reporting, 2007.
- GFOA Best Practice, Role of the Finance Officer in Capital Asset Management, 2016.
- GFOA Best Practice, The Impact of Capital Projects on the Operating Budget, 2015.AWWA, *Dawn of the Replacement Era: Reinvesting in Drinking Water Infrastructure*, 2001.

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Government Finance Officers Association

BEST PRACTICE

Master Plans and Capital Improvement Planning

BACKGROUND:

Many governments establish long-range strategies focused on community development and sustainability through the use of Master Plans.¹ As blueprints for the future, these plans identify economic, land use, and infrastructure development and/or redevelopment, which may include transportation, housing, and public facilities. Master Plans, most frequently coordinated by the local governments planning department with broad community participation, identify jurisdictional needs ten to twenty-five years into the future. Regular updates to these plans are imperative to ascertain development or infrastructure needs as local conditions change.

Master Plans are the foundation for:

- the development of physical plans for sub-areas of the jurisdiction;
- the study of subdivision regulations, zoning standards and maps;
- the location and design of thoroughfares and other major transportation facilities;
- the identification of areas in need of utility development or extensions;
- the acquisition and development of community facility sites;
- the acquisition and protection of open space;
- the identification of economic development areas;
- the incorporation of environmental conservation;
- the evaluation of short-range plans (zoning requests, subdivision review, site plan analysis) and day-today decisions with regard to long-range jurisdictional benefit; and
- the alignment of local jurisdictional plans with regional plans.

In addition to a long-range Master Plan, governments utilize Capital Improvement Plans (CIP) to identify present and future needs requiring capital infrastructure. Such plans operate for a shorter duration, often three-to-five years, and list the projects and capital programs planned for the community with corresponding revenues and financing sources. Paying attention to financial factors during the development of master plans allows for a smoother transition of long-range plans to implementation and lessens the impact on the CIP and future operating budgets. Subsequently, to adequately guide the fiscal, operating, and land use needs of the community, finance officers should use Master Plans as a framework for capital project requests that go into the CIP.

RECOMMENDATION:

GFOA recognizes the role of Master Plans as one of the CIPs important elements and recommends that governments consider the following:

1. Master Plans should provide a vision for capital project plans and investments. Master Plans provide a vision for the government that should be supported by realistic planning documents,

solid financial policies targeted for the implementation of stated goals, and trends on the governments accomplishments and progress toward these goals. Such plans forecast the outlook for the government, illustrating the alignment between demand generators, capital improvement programs, and funding policies. In doing so, Master Plans help address the management factors that are critical in rating analysis and investor communication.

2. Governments should make capital project investment decisions that are aligned to their long-range Master Plans. The list of potential projects for inclusion in the CIP comes from a variety of sources, including department requests, plans for facility construction and renovations, long-term capital replacement programs, citizen requests, neighborhood plans and projects for which grant funds are available. These projects should always be reviewed for consistency with the governments Master Plan(s). The CIP should be viewed as a financial blueprint that helps prioritize needs to achieve implementation of the public improvements identified in the Master Plan. The level of funding in the CIP defines the financial capacity to reach the desired goals set forth in the Master Plan.

3. The finance officer should play an active role in the early planning process. Master Plans can be useful for projecting long-range service demand generators, facility capacity needs, and stakeholder communication. Knowledge of facility capacity needs coupled with financial policies and revenue comparisons allows for the development of a more fiscally prudent Master Plan. It is important that Master Plans strike a balance between stakeholder vision and the governments financial capacity in order to reach the desired goals. This balance can be accomplished by considering financial implications during the development phase of a Master Plan.

4. Financial factors should be considered as part of the development of Master Plans. The master planning process should be an in-depth analysis, incorporating the financial factors that bridge the gap between planners and finance officials. When integrating plans with financial policies, governments should consider both the costs and revenue streams. Possible revenue streams include bond programs; pay as you go alternatives, grants, impact fees, and public private partnership alternatives. Reviewing the revenue generating potential under the plan assumptions will help identify the capability to finance needed capital projects as well as any gaps in the ability to do so. Moreover, the plans vision should be balanced between the financial capacities to meet the stated goals, or at a minimum, should clearly identify the financial implications of a vision that may conflict with the jurisdictions financial policies and capacity. Planning documents should incorporate scenario testing during development and the jurisdiction should, at a minimum, understand the plan cost drivers, alternative scenario outcomes (from both a need and revenue generating potential) and options for meeting the desired goals.

Notes:

¹ Jurisdictions may refer to Master Plans by various names, including Comprehensive Plans or General Plans. This Recommended Practice utilizes the title Master Plans to denote the long-range plans (10 - 25 years) that act as a framework for capital project requests that direct the Capital Improvement Plan.

References:

- *Capital Budgeting and Finance: A Guide for Local Governments*, International City/County Management Association, 2004.
- GFOA Best Practice, Multi-Year Capital Planning, 2006.



Government Finance Officers Association

BEST PRACTICE

Environmentally Responsible Practices in Capital Planning

BACKGROUND:

Local governments are increasingly called upon to promote sustainability initiatives for the use of natural resources related to their capital improvement programs as a strategy for reducing long-term costs and liabilities (both financial and non-financial). Governments may look to incorporate environmentally responsible practices in programs revolving around the construction and management of a jurisdiction's infrastructure assets, including notable changes in transport and utility systems, new standards for building construction, and acquisition of energy-efficient equipment. While assets that are environmentally responsible may at the outset appear cost prohibitive, the combination of both financial and non-financial costs and benefits over the long term could prove advantageous.

Capital improvement activity that is environmentally responsible is recognized in a number of different forms. Probably the most common is the use of environmentally friendly materials and procedures when undertaking capital projects. Currently, the U.S. Green Building Council (USGBC) is a leader in offering standards for environmentally sustainable construction. Through the Leadership in Energy and Environmental Design Program, vertical building projects can now be accredited for their efforts in promoting environmentally sustainable construction. In addition, other organizations offer guidelines for vertical and horizontal building projects to improve environmentally friendly construction, operation, and maintenance.

RECOMMENDATION:

GFOA recommends that finance officers evaluate both the financial and non-financial impacts of a project including environmentally-responsible measures that impact the jurisdiction in the long term as well as the local, regional, and global environment, changes to resource use and efficiency, and other areas that impact quality of life for the public. To accomplish this goal and develop a sustainable capital program, local jurisdictions should incorporate the following best practices into their capital planning and policy setting processes.

Policy. During the initial development of a capital plan, governments should consider environmentally responsible principles that include the following:

- Identifying total economic costs and benefits of capital improvement plans
- Considering stewardship principles for new or upgraded assets to accommodate community goals and needs
- Examining environmentally-friendly projects for consistency within broader policy goals
- Considering the use of an environmental factor when scoring/prioritizing capital needs
- Extending the master plan to include environmental policies

- Prioritizing the environmental principles and goals of the master plan

Financing. To recognize and promote the non-financial benefits of economically sustainable environmentally responsible capital improvements, a number of financial instruments and methods are available to help governments realize a benefit for green projects in local jurisdictions. These include state and federal grants, low interest loans, property leases, and certificates of participation. Many green-based projects are undertaken in partnership with private development, which can qualify for significant tax benefits and offer additional funding tools. Internally, many organizations are using funds that have been set aside in their capital programs to support environmentally-responsible efforts. For example, a revolving fund for alternative energy projects places recurring savings back into the program.

Analysis. Environmental stewardship analysis often measures the triple bottom line which refers to the effects on people, planet and profit. To promote environmentally-responsible management decisions, a multi-faceted evaluation approach to examine the full impact is recommended. This evaluation will quantify expected results, as well as consider the long-term environmental benefits of these decisions, so the evaluation will look at the following:

- **Financial Impact.** A financial impact analysis on environmentally-responsible projects or activities must take a long-term perspective. While start-up costs can prove to be higher, using environmentally responsible practices and materials can help reduce costs over the life of the asset. With this in mind, financial analysis tools are used to identify the entire lifecycle cost of the decision. More sophisticated approaches such as a return-on-investment will recognize future cost efficiencies, as well as currently unmeasured impacts (avoidance of landfill fees, future cost of fossil fuels etc.). As finance officers and project managers develop initial cost estimates and measure the operating impacts of a capital project, GFOA recommends the following measures be undertaken:
 - Attempt to quantify expected energy savings or offsets over the life of the asset.
 - Recognize hidden costs for operating/maintaining green facilities.
- **Total Economic Value.** Actions to address climate change, water conservation and energy consumption, among others, promote long-term cost efficiencies are often difficult to quantify. Economists have applied a tool identifying the Total Economic Value of an improvement. Such tools often recognize the marginal benefit an improvement has on pollution emissions.

Communication. To be an effective steward, governments should educate and communicate with their citizens. Lack of engagement with the public can increase the risk of misperceptions of environmentally-responsibly-based initiatives. One method of communication for finance officers is through the capital planning document itself. Governments should be clear on how environmentally supportive projects directly relate to important environmental considerations and improve the quality of life for the public.

References:

- GFOA Best Practice, Sustainability, 2002.
- GFOA Best Practice, Capital Project Monitoring and Reporting, 2007.
- GFOA Best Practice, Public Participation in Planning, Budgeting, and Performance Management, 2009.
- Environmental Protection Agency, *Environmental Stewardship*, <http://www.epa.gov/stewardship>.



Government Finance Officers Association

BEST PRACTICE

Communicating Capital Improvement Strategies

BACKGROUND:

Public participation and stakeholder involvement during the planning, design, and construction of capital projects is extremely important. Both large and small projects will require and benefit from a communication strategy to inform the public and a method of soliciting and using feedback. This will allow the organization to effectively communicate capital needs and the impact to service levels or current asset condition in the event the project does not proceed. In addition, developing a process to involve the public during project planning is a key step in assessing priority and determining if the project will meet service-level goals and community expectations.

RECOMMENDATION:

The Government Finance Officers Association recommends that organizations develop a communications plan for public participation focused on explaining capital needs, options, and strategies and facilitating feedback in advance of any major capital program. Capital programs gain from the support of the community both to ensure that capital projects will deliver expected and desired outcomes as well as to ensure there is adequate support for the investment. Organizations should consider and address the following in any communication plan on capital assets.

- Stakeholder Engagement: Communications should be directed at appropriate stakeholder audiences including:
 - Citizens
 - Public officials
 - Officials from other jurisdictions such as special service districts and neighboring organizations
 - Businesses
 - Community Groups / Neighborhood associations
 - Interest groups
 - Staff
 - Regulatory agencies (oversight authorities)

Each stakeholder group may have different interests in the project and have different concerns or expectations. For example, citizens may be more interested in overall cost and impact on taxes, whereas a business may be most interested in possible loss of revenue from construction activity.

- Developing the Messaging: Regardless of the stakeholder audience, organizations should take care to ensure that there is a clear and consistent message that delivers accurate information both on the costs of the project, duration, impact, and benefit. Building credibility is essential in communications. Messaging should be developed with input from various groups within the organization (management, finance, engineering, operations, etc.) to ensure

that information is complete and accurate. For high profile projects, it may be helpful to leverage external resources, such as financial advisors, subject matter experts, or public relations consultants to help gather and/or validate information or draft communication messages.

- **Communication of Project Information:** Organizations should clearly communicate project benefits, costs, impacts, and schedules clearly and at a level of detail appropriate for the audience and communication method. It is important that the finance officer present accurate information clearly and avoid using the communications to sell or unnecessarily advocate for the project. To maintain credibility, information should be transparent and accurate setting clear expectations. When communicating directly with citizens it is important to consider how citizens will be impacted by the project and discuss information in terms that are applicable including the expected impacts (both to costs and benefits) on existing services and infrastructure in the event the project does not proceed. For example, it is often helpful to relate costs back to increases in tax rates rather than present actual project costs to provide context. Communications should also discuss project outcomes and expectations that include performance measures.
- **Communication Methods:** Organizations should consider strategies that utilize multiple methods of communication to reach different audiences. Some communications could include:
 - Signage
 - Press Articles
 - Website
 - Social Media
 - Presentations to Interest Groups/Local Non-Profit Organizations/ and Community Groups
 - Regular communications at public meetings (public hearings)
 - Use of Media (Editorial Boards / Press Conferences)
- **Use of Public Feedback:** When using communications methods that are more interactive and provide the opportunity for stakeholders to provide feedback, it is important that the organization be receptive to ideas and address any significant issues. Staff also must be prepared and develop a process for evaluating public feedback. When evaluating feedback, staff should recognize the limitations and potential bias in the collection methods and take that into account in using that information. Staff should also consider differences in demographic, social, economic, or geographic segments of stakeholders that may not be representative of the entire community. For this to be effective, the communications plan must be implemented early enough in the project so that staff has the ability to use the information collected to modify the project. Some examples of public feedback methods include:
 - **Community Meetings** Staff can attend scheduled community meetings for non-profit groups, or schedule specific meetings in public locations throughout the community that can allow for presentation and discussion of project information.
 - **Use of Citizen Committees** Elected Officials or staff can appoint citizens to serve on a committee to collect citizen feedback and formulate a recommendation.
 - **Public Opinion Research / Surveys** Survey data on public preferences can be conducted either by staff or externally by a firm specializing in collecting public opinion data
 - **Comments / Complaints** Staff can learn from tracking and analyzing comments or questions that come up through already established channels (for example: comment cards, website inquiries, social media responses, crowd sourcing, and CRM/311 systems).
- **Monitoring, Reporting, and Accountability:** In addition to communications during initial phases of the project, organizations have a need to maintain communications through the end of the project and report on results. Monitoring of progress and accurate reporting on the project will

provide accountability and give credibility to the next project.

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Government Finance Officers Association

BEST PRACTICE

The Impact of Capital Projects on the Operating Budget

BACKGROUND:

The operating impact of a capital project is an essential factor to consider when making an informed decision about proceeding with the project. Capital projects can impose significant consequences upon the operating budget. While this is typically an additional operating budget burden, these impacts can also represent a positive impact on the operating budget.

Presenting operating impacts may be required by law or by the government's own financial policies.¹

The analysis of operating impacts from capital is often deficient in practice (i.e., in Budget Awards Program – many “not proficient” ratings). This is an indicator that practitioners are (1) failing to understand the need, (2) not effectively making the argument within their jurisdictions to include it, or (3) lacking the tools and methodologies for calculating or showing the costs.

RECOMMENDATION:

GFOA recommends that governments discuss and quantify the operating impact of capital projects in the budget document. The impacts should be identified on an individual project basis, but may be summarized. The following steps should be taken to ensure that operating impacts are identified.

1. A specific policy on operating impacts should be included under the capital section in the financial policies of the government. A rule might be established that the capital improvement program may not be submitted/approved unless operating impacts are noted.²
2. In order to accurately reflect and describe these impacts, assumptions should be noted. Staff involved with estimating operating impacts should be trained on how to set up the methodology. Items to consider when making assumptions include:
 1. Timeframe to determine when costs, savings or revenue will start. For example, first-year startup costs likely differ from costs in successive years when savings may be realized.
 2. Various anticipated phases of the project.
 3. In-house or external operations.
 4. Type of work being done.
 5. Whether the costs, savings, or revenues are recurring or non-recurring. For example, replacement and maintenance costs may occur on alternating or periodic years rather than annually over the life of a capital asset. A government should analyze the cycles for such up-keep costs and plan accordingly.
 6. Defined cost structures, when applicable (see example).

<u>Improvement</u>	<u>Annual Maintenance Co</u>
Neighborhood Parks	\$x,xxx/acre
Community Parks	\$x,xxx/acre
Regional Parks	\$x,xxx/acre
Linear Parks	\$x,xxx/acre
Open Space Parks	\$x,xxx/acre
Special Use Parks	\$x,xxx/acre
Road Widening/New Roads	\$xx,xxx/mile
New Police Station	\$xx,xxx/square feet
New School Building	\$xx,xxx/square feet
Traffic Signal Improvement	\$x,xxx/each

3. Operating impacts can be classified into one of three elements or a combination of the three. These include increased revenues, increased expenditures or additional cost savings (see example on following page).
 1. Increased revenues may be the result of additional volume, like opening a new train line, a new swimming pool, or a sports facility.
 2. Increased expenditures are often the result of a new facility, like a school building, fire station, etc. This result in additional headcount and associated expenditures. Expenditures can be broken out by compo
 3. Savings may result from a number of items such as more efficient energy savings, more productive soft and lower maintenance and repair expenditures.
4. Agency long-range financial plans should include anticipated operating impacts from approved or anticipated c projects.
 1. GFOA recommends the development of long-range financial planning. Such plans should include the operating impacts of capital projects.
 2. Similarly, the assumptions regarding the long-range financial plan should include clear descriptions of s operating impacts.

Project	Year 1, Including Start-up Costs	Recurring Salary & Benefits	Recurring Other Operating Costs	Recurring Annual Revenues
Library A	\$xx,xxx	\$xx,xxx	\$xx,xxx	N/A
Library B	\$xx,xxx	\$xx,xxx	\$xx,xxx	N/A
Hangar	\$x,xxx	N/A	\$x,xxx	\$xx,xxx
Aniam Shelter Addition	\$x,xxx	N/A	\$x,xxx	N/A
Total	\$xx,xxx	\$xx,xxx	\$xx,xxx	\$xx,xxx

Narrative

Libraries - The additional personnel (3.5 FTEs) that will be needed at the two new branch libraries are an Assistant E Manager/Children's Coordinator, Library Clerk, Maintenance Worker, and one part-time employee. The additional ope costs are due to the fact that the Library A is increasing from an existing 1,500 square feet structure to an 11,000 squ building, and Library B is increasing from 2,400 square feet to 13,000 square feet. The increased operating costs r broken down into start-up costs and on-going costs (some of which may not necessarily be annual, but periodic) Start includes hiring of a contracted security guard (\$xx,xxx), additional books and materials (\$xx,xxx), magazines and newspapers (\$x,xxx), children's programming (\$x,xxx), clerical, janitorial, and miscellaneous supplies (\$x,xxx). It is anticipated that the new branch libraries will open October 20XX and September 20XX, respectively. On-going costs

books and computer software annual maintenance fees. Salaries and benefits for the new personnel as well as any escalating costs of the retiree benefit package are increased annually from the initial base. Maintenance and equipment upkeep (\$xx,xxx) are included on a periodic basis.

Hangar - The additional 10-unit hangar at the Airport will provide for annual revenue of approximately \$xx,xxx. Regional Airport maintains a waiting list for hangar space and the addition of ten additional units will help alleviate some of this backlog of applicants.

Animal Shelter Addition - The proposed Animal Shelter Addition allows for maintenance.

Notes:

1. For instance, per Nevada Revised Statutes (NRS) 354.601: *Construction of capital improvement without funding for operation and maintenance included in approved budget is prohibited. A local government shall not begin the construction of a capital improvement unless the funding for the operation and maintenance of the improvement during the current fiscal year, included personnel is included in an approved budget.*
2. For the Commonwealth of Massachusetts, as part of the annual development of the capital investment plan, the Executive Office for Administration and Finance evaluates the operating budget impacts for all requested projects.

References:

GFOA Best Practice, "Presenting the Capital Budget in the Operating Budget Document," 2008.

GFOA Best Practice, "Incorporating a Capital Project Budget in the Budget Process," 2007.

GFOA Best Practice, "Multi-Year Capital Planning," 2006.



Government Finance Officers Association

BEST PRACTICE

Technology in Capital Planning and Management

BACKGROUND:

Organizations use a variety of software to assist in managing their capital programs. Systems that support capital programming commonly found in government include: enterprise resource planning (ERP), financial management, fixed asset management, budget development, geographic information systems (GIS), constituent relationship management (CRM), computerized maintenance management (CMMS), business intelligence (BI)/analytic, and a variety of spreadsheets and custom developed databases. Further, individual departments within a single organization often own and operate their own systems, resulting in information being dispersed with no single source providing complete information on the capital program.

Systems used across the entire organization for managing the capital program often support the following tasks:

- *Capital Planning* for multi-year capital forecasting that identifies needs of new items, replacement items, and major renovations.
- *Capital Budgeting* for managing the organizations 5-year capital improvement program and identifies both approved projects and funding sources.
- *Project Costing* for tracking the ongoing costs of capital projects including labor, requirements, supplies, and contract costs.
- *Project Management* to provide managers with project status reports, budget reports, and an ongoing indicator of project progress
- *Asset Inventory* to list all current capital assets, detailed information on asset location, features, and ownership/responsibility
- *Asset Management* to track usage information on the item, identify upcoming maintenance items and track history of work performed on the item.
- *Work Orders* to schedule and manage current work. Systems may also include a method of receiving service requests from both internal and external sources.

RECOMMENDATION:

GFOA recommends that finance officers take an organizational-wide approach to using technology for capital program management. Use of appropriate technology that can be used by key participants in the process -- in finance, engineering, operations, overall management, and other areas can enhance collaboration and improve management of the capital program by providing timely, relevant, and complete information to all. In developing that approach, governments should consider the following:

- **Systems Available in the Market** - Many commercially available systems address the needs

of governments for managing components of the capital program. Features differ from system to system, so that a system that is a good fit for one organization may not be for another. For example, systems may specialize in utility assets, road infrastructure, or facilities. Governments with highly specialized needs must understand the degree individual systems can meet their needs. Some functionality may have to be custom-developed. However, software firms continue to offer additional features as they develop newer and better versions of their systems. In addition, many systems develop their software around standard practices used across many organizations and it may be beneficial to adopt those practices rather than customize software to meet an organizations unique process.

- **Alignment with the Organizations Information Technology (IT) Strategic Plan** - To avoid the condition where a government procures many disparate and standalone systems that are not capable of sharing information, any technology used in the capital planning process should also be planned for in the governments IT strategic plan. Alignment with other organization-wide planning efforts will avoid redundant systems and will provide a greater opportunity for systems to efficiently support end-to-end business processes.
- **Stakeholder Expectations for the System** - In planning and procuring a new system, organizations should develop detailed requirements that identify the scope of the system and set an overall expectation for the project. Requirements and expectations should then be managed throughout the procurement and implementation project to ensure that vendor promises are delivered and expectations met.
- **The Business Case for the System (Assessment of Costs and Benefits)** - Organizations must analyze the projected benefits, costs, and risks in moving to a new system to determine if there is a suitable business case for moving forward. Different organizations will have different needs and while some may require complex systems, others may achieve greater returns from using simple systems that do not require significant upfront investments.
- **Likely Users of the System** - As part of the planning process for a system, the government should identify all stakeholders across the organization that will use the system, use information from the system, or provide data to the system. To be an effective tool, the system will need to meet the needs of all stakeholders including finance officers, accountants, analysts, engineers, project managers, policy makers, and other managers. The system will also need to work with other existing systems to exchange data through interfaces. Additionally, there may be a need for the public to interact with the system (e.g. to submit service requests or provide feedback on planning documents).
- **Scope of the System** - After identifying who will use the system, governments should detail specific requirements for how the system will be used to support the organizations business processes. The scope of a system could range from one aspect of the capital budgeting process to a complete planning, management and analysis of the capital program. Identifying the specific needs of each stakeholder group will assist in getting organization-wide buy-in for the system.
- **Process for Collecting, Verifying, and Transferring Data** - There are multiple method of getting data into the system that could include automated interfaces with other systems or manual data entry. The organization will need to determine an effective way for getting information in the system. Where possible, organizations should seek systems and process that facilitate single points of data entry so that the same data is not entered at multiple times.
- **Communication of Information** - Current systems provide multiple ways to communicate relevant data, including standard reports, customized reports, dashboards, or exception reports. Many of these systems also use features to provide automated notifications to stakeholders and decision makers when certain conditions arise. It is essential that the system be able to provide the necessary information to support key decisions in the capital program management process.
- **Ongoing Support for the System** - Maintaining the system involves both a functional and technical responsibility. The system will need to comply with the organizations technical

standards and have appropriate staff assigned to maintaining the system. System maintenance will include any administrative tasks for security, such as manager user access to the system and permissions within the system, managing the automation of business process flows, and continuing to develop reports to meet new business needs. In addition, system support includes technical tasks such as database administration and network administration. Finally, an organization must develop and maintain a core group of experts to support key business processes and remain self-sufficient on the system. Relying on a vendor to provide this expertise can be costly.

Overall, technology provides the opportunity to transform the planning, budgeting, implementation, and overall management of an organizations capital program. However, to generate the expected return on investment, an organization should properly plan for such a system and detail its specific needs so that a system can be deployed that meets needs across the organization given its resource constraints for both the initial purchase and long term maintenance.

References:

- *Capital Project Planning and Evaluation*, edited by Joseph P. Casey and Michael J. Mucha, 2007.
- *Technologies for Government Transformation: ERP Systems and Beyond*, edited by Shayne C. Kavanagh and Rowan A. Miranda, 2005.

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Government Finance Officers Association

BEST PRACTICE

Capital Project Monitoring and Reporting

BACKGROUND:

The financial management of major capital projects requires a substantial commitment of organizational time and resources. Given their scale and cost, these capital projects can represent a significant undertaking for local governments. Consequently, governmental entities should establish policies and procedures to support effective capital project monitoring and reporting to assist in the management of these significant projects. Such efforts can improve financial accountability, enhance operational effectiveness and promote citizens' confidence in their government.

In many jurisdictions, finance officials are called upon to oversee or directly perform capital project monitoring and reporting activities. To successfully perform those activities, finance officials should be familiar with project management practices, software systems for project management and project accounting, and capital project reporting procedures.

RECOMMENDATION:

GFOA recommends that jurisdictions establish policies and processes for capital project monitoring and reporting. GFOA advises officials to:

1. Identify and incorporate legal and fiduciary requirements into capital monitoring and reporting processes. Because finance officials are typically involved with ensuring that capital project activity is consistent with applicable laws and organizational rules and procedures, initial efforts should focus on understanding requirements that relate to:

- Auditing and financial reporting needs consistent with generally accepted accounting principles and jurisdictional accounting requirements.
- Any arbitrage regulations, bond covenants, and/or bond referenda requirements related to long-term debt that may be used to finance capital projects. In addition, ensure that all reporting of bond related projects/programs is consistent and in compliance with SEC regulations.
- State and local laws, including such areas as debt capacity limits, voter authorization, capital budgeting requirements, as well as public bidding and reporting requirements.
- Capital project contract language and the jurisdiction's contracting practices.
- The relationship between each project and the jurisdiction's planning processes, including specific initiative plans, local master plans, and any regional or state plans that may impact any planned projects.
- Grant administration and reporting requirements related to the specific grant(s) to be used for capital projects.

2. Identify relevant data for external and internal stakeholder information needs. Finance

officials may also be called upon to compile cost and performance data for diverse stakeholders. With this in mind, financial officials responsible for capital monitoring and reporting should:

- Identify key stakeholders involved in capital projects, for example, project oversight staff, project engineers, contractors, finance and budget staff, executive management, bondholders, rating agencies, grantors, elected officials, and constituents.
- Identify the business needs of key participants, including timing status, cost activity, and project scope.
- Establish project milestones, performance measures and reporting criteria based on stakeholder needs and legal and fiduciary requirements.
- Collaborate with participants to determine the content of reports and the preferred reporting tools of various stakeholders, including the depth and frequency of information, established expectations and notable variances. For example, larger entities with a substantial number of similar routine capital projects may consider providing information for routine capital projects at a program level, rather than providing information for each individual project.

3. Plan and design systems to collect, store, and analyze project data and to report results.

Often, more than one system or technological solution is required to properly address all informational requirements. To assist in this process, responsible officials should:

- Decide which system will be the primary system(s) for storing capital project financial and/or operational data.
- Assure that appropriate system controls and security have been incorporated, consistent with the jurisdiction's technology standards.
- Strive for consistency and standardized language when compiling information from various sources. A data dictionary or similar documentation that establishes standards is ideal.
 - The following factors should be taken into consideration when establishing a data system specifically for capital projects:
 - The appropriate technological solutions for project accounting, scheduling and reporting. Solutions may include spreadsheets, customized databases, ERP systems, or project management software, and may differ based on the scope, complexity, and cost of each project.
 - Positional roles, including access, input and editing privileges for system users who will be charged with compiling, analyzing and reporting financial and management information.
 - The process for controlling and managing changes to project scope, schedule, cost, funding, and contract requirements.
 - Processes for identifying direct and indirect asset construction component costs.
 - Accountability and data integrity within the financial management system.
 - Data accuracy. This is particularly important when there are interfaces between separate information systems, such as geographic information systems, project management systems and financial systems. Careful consideration should be given to avoid duplicative data among these different systems.
 - Triggers and protocols for identifying and addressing project cost overruns and schedule delays.

4. When selecting a system or means to monitor/manage projects, take steps to ensure it will provide the capability to report on projects and programs with minimal manual effort. (See recommendation #4 for information on reporting.) Regularly monitor capital projects' financial and project activity information. Once legal, fiduciary, and other reporting requirements have been established and information systems are in place, finance officials should monitor capital project activity on a regular basis. At a minimum, such monitoring should include:

- Confirmation that a project plan exists that identifies all required resources and milestone work products and assurance that the project plan is being followed.
- Confirmation that the project's scope has been clearly identified upon completion of final design and that the project stays within scope or that changes to scope have been made consistent with an established process.
- A review of project-related financial transactions to support budget review, auditing and asset management.
- A review of expenditures, both in relation to the current budget, and over the entire project life.
- A review of any project retainages, warranties, or other conditional performance schedules.
- Review of encumbrances and estimates of planned expenditure activity.
- Confirmation of continued availability and appropriateness of revenue sources identified in the capital budget.
- Confirmation of the adequacy of cash flow in relation to project requirements.
- Review of the timing of investment maturities compared to planned project disbursements.
- Review of sources and project uses of bond proceeds and grants.
- Results compared to established measures of performance, including, at a minimum, cost and schedule performance indices.

5. Reporting on project status and activities. Producing project status reports will help keep officials informed regarding project progress. In establishing report content and frequency it is important to keep in mind that high profile projects often require more extensive reporting of activity compared to a jurisdiction's more routine capital projects, which may be better addressed at a program level. It is important to be consistent and use plain language when compiling information from various sources and reporting it to multiple stakeholders. Meaningful reports should provide straightforward project information for executive leadership and internal staff as well as citizens and the media, and, at minimum:

- Provide a comparison of actual results to the project plan, including:
 - Percent of project completed
 - Percent of project budget expended
 - Progress on key project milestones
 - Contract status information including time remaining and percentage used
 - Revenue and expenditure activity
 - Cash flow and investment maturities
 - Funding commitments
 - Available appropriation
 - Comparison of results in relation to established performance measures
- Highlight significant changes to project scope, costs, schedule, or funding.
- To aid in the reporting, an annual snapshot of key schedule, cost estimate, and available funding information should be taken to establish baseline data for performance measures and report components.

6. Project close-out. Upon project completion, ensure that actions are taken to finalize project activity, including, at minimum:

- Confirming that the project is closed out appropriately within all systems used to manage, monitor and report on the project.
 - Confirm that all remaining contract encumbrances are properly closed out and remaining funds are handled appropriately.
- Confirming that the established procedures for user acceptance of project work and final

- project completion have been followed.
- Confirming that all closeout and reporting requirements of grantors and bond covenants have been completed.
- Confirming that all project close out data is properly recorded on the fixed assets schedule and capital assets are added to the government's capital asset tracking system, if any.
- Confirming that procedures are in place to meet any continuing disclosure or ongoing reporting requirements.

7. Evaluate monitoring and reporting activities. In order to ensure that capital project monitoring and reporting practices continue to be effective and relevant to the organization, jurisdictions should conduct a periodic review of these practices, including at minimum:

- An inspection of reporting data for accuracy and completeness.
- The existence and adequacy of measures used for quality assurance and control in each phase of capital projects.
- Solicitation of feedback from stakeholders on the adequacy and relevance of reports and reporting tools, including the extent to which business needs are being addressed.
- A comparison of the organization's report format and content to other agencies' practices.
- An assessment of the adequacy of communication between various organizational units.

Notes:

Updated October, 2017

References:

- *Capital Improvement Programming: A Guide for Smaller Governments*, GFOA, 1996
- *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, National Advisory Council on State and Local Budgeting, 1998.
- "Managing the Capital Planning Cycle: Best Practice Examples of Effective Capital Program Management," *Government Finance Review*, GFOA, 2004.
- *Capital Budgeting and Finance: A Guide for Local Governments*, ICMA, 2004.
- *Preparing High Quality Budget Documents*, GFOA, 2006.
- "Staying on Track: Crafting a Capital Program Reporting System," *Government Finance Review*, GFOA, 2006.
- Distinguished Budget Presentation Awards Program, *Awards Criteria and Explanations of the Criteria*, GFOA.

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Government Finance Officers Association

BEST PRACTICE

Long-Term Financial Planning

BACKGROUND:

Long-term financial planning combines financial forecasting with strategizing. It is a highly collaborative process that considers future scenarios and helps governments navigate challenges. Long-term financial planning works best as part of an overall strategic plan.

Financial forecasting is the process of projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

Long-term financial planning is the process of aligning financial capacity with long-term service objectives.

Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges.

Many governments have a comprehensive long-term financial planning process because it stimulates discussion and engenders a long-range perspective for decision makers. It can be used as a tool to prevent financial challenges; it stimulates long-term and strategic thinking; it can give consensus on long-term financial direction; and it is useful for communications with internal and external stakeholders.

RECOMMENDATION:

GFOA recommends that all governments regularly engage in long-term financial planning that encompasses the following elements and essential steps.

A long-term financial plan should include these elements.

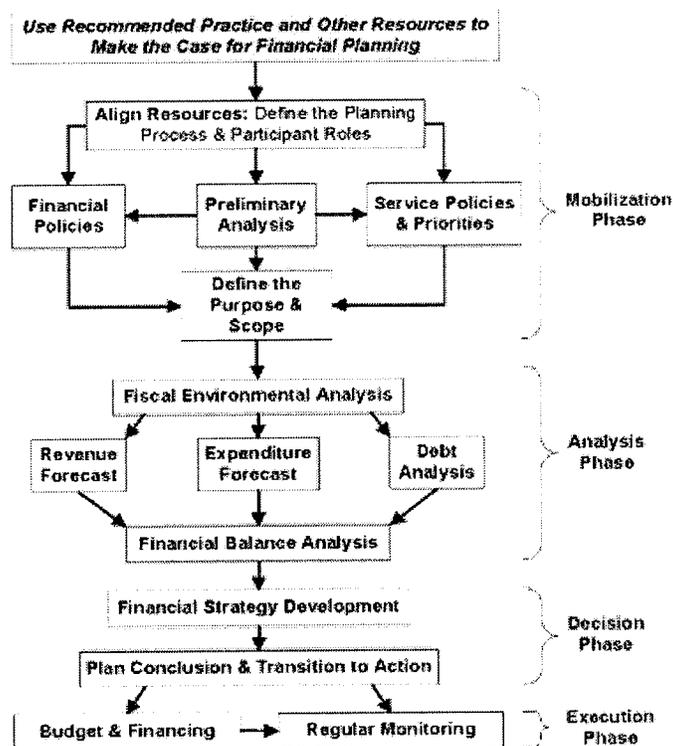
1. **Time Horizon.** A plan should look at least five to ten years into the future. Governments may elect to extend their planning horizon further if conditions warrant.
2. **Scope.** A plan should consider all appropriated funds, but especially those funds that are used to account for the issues of top concern to elected officials and the community.
3. **Frequency.** Governments should update long-term planning activities as needed in order to provide direction to the budget process, though not every element of the long-range plan must be repeated.
4. **Content.** A plan should include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms, such as scorecard of key indicators of financial health.
5. **Visibility.** The public and elected officials should be able to easily learn about the long-term financial prospects of the government and strategies for financial balance. Hence,

governments should devise an effective means for communicating this information, through either separate plan documents or by integrating it with existing communication devices.

A long-term financial plan should include these steps.

1. **Mobilization Phase.** The mobilization phase prepares the organization for long-term planning by creating consensus on what the purpose and results of the planning process should be. The mobilization phase includes the following items:
 - **Alignment of Resources.** This step includes determining the composition of the project team, identifying the project sponsor, and formulating a strategy for involving other important stakeholders. This step also involves the creation of a high-level project plan to serve as a roadmap for the process.
 - **Preliminary Analysis.** This step helps raise awareness of special issues among planning participants, such as the board or non-financial executive staff. A scan of the financial environment is common at this point.
 - **Identification of Service Policies and Priorities.** Service policies and priorities have important implications on how resources will be spent and how revenues will be raised. A strategic plan or a priority setting session with elected officials could be useful in identifying service policies and priorities.
 - **Validation and Promulgation of Financial Policies.** Financial policies set baseline standards for financial stewardship and perpetuate structural balance, so a planning process must corroborate policies in place (as well as the organizations compliance with those policies) and also identify new policies that may be needed.
 - **Definition of Purpose and Scope of Planning.** The purpose and scope of the planning effort will become clear as a result of the foregoing activities, but the process should include a forum for developing and recognizing their explicit purpose and scope.
- **Analysis Phase.** The analysis phase is designed to produce information that supports planning and strategizing. The analysis phase includes the projections and financial analysis commonly associated with long-term financial planning. The analysis phase involves information gathering, trend projection, and analysis as follows:
 - **Information Gathering.** This is where the government analyzes the environment in order to gain a better understanding of the forces that affect financial stability. Improved understanding of environmental factors should lead to better forecasting and strategizing.
 - **Trend Projection.** After the environment has been analyzed, the planners can project various elements of long-term revenue, expenditure, and debt trends.
 - **Analysis.** The forecasts can then be used to identify potential challenges to fiscal stability (e.g., imbalances). These could be fiscal deficits (e.g., expenditures outpacing revenues), environmental challenges (e.g., unfavorable trends in the environment), or policy weaknesses (e.g., weaknesses in the financial policy structure). Scenario analysis can be used to present both optimistic, base, and pessimistic cases.
- **Decision Phase.** After the analysis phase is completed, the government must decide how to use the information provided. Key to the decision phase is a highly participative process that involves elected officials, staff, and the public. The decision phase also includes a culminating event where the stakeholders can assess the planning process to evaluate whether the purposes for the plan described in the mobilization phase were fulfilled and where a sense of closure and accomplishment can be generated. Finally, the decision phase should address the processes for executing the plan to ensure tangible results are realized.
- **Execution Phase.** After the plan is officially adopted, strategies must be put into action (e.g. funding required in achieving goals). The execution phase is where the strategies become operational through the budget, financial performance measures, and action plans. Regular monitoring should

be part of this phase. The following diagram highlights the various long-term financial planning phases discussed in this recommended practice.



References:

- GFOA Best Practice, Financial Forecasting in the Budget Preparation Process, 1999.
- GFOA Best Practice, Adopting Financial Policies, 2001.
- GFOA Best Practice, Establishing Strategic Plans, 2005.
- GFOA Best Practice, Budgeting for Results and Outcomes, 2007.
- GFOA Best Practice, Performance Management: Using Performance Measurement for Decision Making, 2002 and 2007.
- *Financing the Future Long-Term Financial Planning for Local Government*, GFOA, 2007.
- <http://www.gfoa.org/lftp>. GFOA Web site containing a wealth of supporting materials for financial planning.
- <http://www.gfoa.org/services/nacslb/>. Best Practices in Budgeting Web site. See Element 9: Develop and Evaluate Financial Options.



Government Finance Officers Association

BEST PRACTICE

Presenting the Capital Budget in the Operating Budget Document

BACKGROUND:

After the capital budget or multi-year capital plan is adopted, a government should decide how to best present major capital program highlights in the operating budget document. An exceptional capital presentation enhances the transparency and accountability to citizens. It gives a broader context for citizens to understand major components of the capital budget and its relationship to the operating budget.

GFOA has recommended practices that are concentrated on the development, implementation, and monitoring of the capital budget. This recommended practice focuses on the presentation of the major capital program highlights in the operating budget document.

RECOMMENDATION:

GFOA recommends that governments consider the following guidelines when incorporating information on the capital budget within the operating budget document. Presentation of the capital section should include a summary of the multi-year capital plan as well as detailed information related to the budget. Each government will need to establish the appropriate balance between summary-level and detailed information.

1. *Placement.* The capital budget should be in a distinct section of the budget document. It is very difficult to follow the various elements of the capital program if information is scattered throughout the document. The capital budget should show a direct link to the multi-year capital improvement plan. By including this information within the same or adjacent section of the document, it is easier for the reader to follow that relationship.
2. *Definition.* A definition of capital expenditures should be included in the budget document. The definition of a capital project can be designed in a way that is broad enough to encompass a variety of different situations. Governments frequently refer to asset life and dollar threshold in the capital expenditures definition. However, not every project cost is actually capitalized (e.g., furnishings often are not).
3. *Sources and Uses.* The capital presentation in the operating budget document should focus on both sources and uses. The government should indicate the total dollar amount of capital

expenditures for the budget year and for the multi-year plan. The capital plan sources and uses summary should include all projects (regardless of fund) that fit within the government's definition of capital expenditures. This information can be presented by fund, category, priority, strategic goal, or geographic location. The government should identify the funding sources for the same time period as expenditures. Pie charts are useful for identifying components, while bar charts show specific trends (historical and future). A budget overview or separate budget in brief could be included that presents both operating and capital highlights.

4. *Process.* The following items help to communicate major steps within the capital budget decision making process.

- *Calendar.* A calendar showing key dates in the capital process should be presented, along with text describing the process. The calendar could be juxtaposed with the operating budget calendar. Responsible parties (departments) and statutory deadlines are useful in describing the process.
- *Prioritization.* Information on how capital projects are evaluated and prioritized is critical. The criteria for evaluating capital projects could include such items as safety, location, return on investment, net payback, public need, connection to other plans, and available funding. Changes in priority could also be addressed.
- *Funding.* Funding sources should be defined. Alternative funding options could include pay-as-you-go, debt (type, size, duration, etc.), and levying additional taxes. Legal constraints and reliability of capital funding sources are important considerations
- *Management.* Depending on the size and complexity of the capital plan, some projects within the capital plan may be contracted out versus managed in-house. That decisionmaking process should be communicated.

5. *Identification.* Capital projects should be broken out between recurring and non-recurring. Recurring capital projects are those that 1) are included in almost every budget and 2) have a regular replacement cycle. Capital projects could be grouped by category, department, type, function, or funding.

6. *Individual Capital Project Detail.* Many budget documents include individual capital project detail for major projects. Detail for major projects could include:

- *Description.* For significant and/or non-recurring capital expenditures, the document should concisely describe these items (i.e. indicate the projects purpose and funding sources) and indicate the amount appropriated for the project during the budget year(s). For example, the construction of a convention center would be both significant and nonrecurring.
- *Operating Impacts.* The operating impact from the capital budget should be both quantified and discussed. For example, operating expenses would increase with the need for additional positions when opening a new facility. On the other hand, operating expenses would decrease for energy savings projects. Also, some capital projects may result in additional revenues.
- *Timetable.* Showing a timetable for different phases of a project is very informative. Capital project schedules can be presented on the individual sheets.
- *Graphics.* Legible graphic illustrations (pictures or maps) can add value to a capital project presentation.

- Links to Other Plans. Governments may consider indicating on the individual capital project sheets what specific goals that the capital project is fulfilling.

To avoid placing excessive detail in the capital section of the operating budget document, consideration may be given to placing the additional information on the web or in a separate capital document.

References:

GFOA Best Practice, "Establishing Capitalization Thresholds for Tangible Capital Assets," 1997, 2001, and 2006.

GFOA Best Practice, "Multi-Year Capital Planning," 2006.

GFOA Best Practice, "Determining the Estimated Useful Lives of Capital Assets," 2002 and 2007.

GFOA Best Practice, "Capital Project Budget," 2007.

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BEST PRACTICE

Timely Financial Reporting

BACKGROUND:

Financial reports are intended to meet the needs of decision makers. Accordingly, *timeliness* was identified as one of the *characteristics of information in financial reporting* in Concepts Statement No. 1 of the Governmental Accounting Standards Board (GASB), *Objectives of Financial Reporting*. To accomplish this objective, financial reports must be available in time to inform decision making. Therefore, financial reports should be published as soon as possible after the end of the reporting period.

Timely financial reporting cannot be reduced to a well managed busy season, but rather requires careful, yearlong planning and monitoring¹ (e.g., data processing, audit field work). Sometimes the need for timeliness has to be balanced against the need for reliability, which also was identified as one of the *characteristics of information in financial reporting* identified in GASB Concepts Statement No. 1. While governments certainly should not sacrifice reliability for timeliness, minor gains in precision ought not to be purchased at the price of indefinite delay (e.g., accounting estimates).

Legislative deadlines for submitting financial statements should be viewed as a minimum standard rather than as an ideal objective. The same holds true for the submission deadlines used by various award programs such as the GFOAs Certificate of Achievement for Excellence in Financial Reporting Program.

The additional cost of more timely financial reporting (e.g., additional staff and overtime) also needs to be considered. As always, the cost to be incurred should never exceed the benefits anticipated.

RECOMMENDATION:

GFOA makes the following recommendations about ways to improve the timeliness of financial reports for governmental entities.

1. Recording activity throughout the year

a. *Transactions processing*. A government should undertake a process at least quarterly to ensure the ongoing completeness and accuracy of the data it collects. This process should include appropriate reconciliations to identify needed adjustments, as well as financial analysis of interim management reports to identify anomalous or incomplete data that may need to be corrected. This verification process should be particularly useful in identifying amounts that will need to be estimated

as part of the annual verification process so that the data needed to make those estimates at year end can be collected throughout the period. Also, this process should facilitate the recording of certain items, for example, capital assets, throughout the year rather than after the fiscal year has ended.

b. *Accounting policies and procedures.* The governments documented accounting policies and procedures should 1) identify those items that may need to be estimated² and 2) set forth the specific steps (including significant assumptions) to be followed in preparing each different kind of estimate. The procedures should specifically address whether each of these items is to be handled during the year, as part of the initial year end closing process, or in the adjustment and analysis process immediately prior to the final year end closing process.

2. Closing and financial statement preparation processing

a. *The annual closing process.* The initial annual close normally occurs within a week to ten days following the end of the period. To avoid delays, all items related to budgetary expenditures (e.g., purchase orders) should be recorded by the end of the period (with exceptions being made only for highly unusual items like natural disasters and major information systems failures).

b. *Component Units.* When a government includes component units (either blended or discretely presented) as part of its financial reporting entity, there needs to be early and ongoing communication with those units to ensure that the government receives all of the information it needs to include them in its own report without delaying its issuance. Experience appears to demonstrate that there is no substitute for one or more face-to-face meetings for this purpose, although ongoing updates normally can be managed effectively by e-mail, telephone, or FAX.

c. *Unforeseen circumstances.* The financial report preparation process and the independent audit may identify items that could affect the amounts reported in the financial statements (e.g., lawsuits; legal or contractual violations that include a monetary penalty; instances of potential or actual fraud or abuse). Considerable time may be needed to definitively resolve such items. In such cases, the inherent uncertainty should not unduly delay the financial report preparation process and the independent audit. Accordingly, it often is better to proceed with the issuance of the financial statements based upon estimates, rather than to delay their issuance.

3. Implementation of new accounting standards

a. *Facilitating implementation of new accounting standards.* To ensure that accounting standards are implemented by their mandated effective date a government should monitor the issuance of final guidance from the Governmental Accounting Standards Board (GASB). Upon issuance of such guidance, a government should determine the fiscal year by which the guidance must be implemented and when steps to implement the guidance should be scheduled prior to and during the year of implementation as well as during the financial statement preparation process. To the extent practical, governments should attempt to implement the guidance by at least the period before implementation is mandated.

4. Financial report format and distribution

a. *Electronic distribution.* To save time and avoid potential delays, the government should initially distribute its financial report electronically (e.g., posting on website, e-mailing an electronic file, or mailing a CD-ROM).

5. Contracting for professional services

a. *Audit procurement.*³ The request for proposal (RFP) for the services of an independent auditor should specify a public release date for the financial statements.

b. *Contracts for professional services other than auditing.* RFPs for nonaudit services that have a bearing on the financial statements (e.g., actuarial services) should specify the public release date of the financial statements and expressly mention that those services need to be completed in time to allow the government to meet that deadline.

Notes:

¹ Such a year-long process can help a government avoid material auditor-identified adjustments that Statement on Auditing Standards No. 112, *Communicating Internal Control Matters Identified in an Audit*, would require to be reported as a significant deficiency or a material weakness. Refer to the GFOA recommended practice on *Mitigating the Negative Effects of Statement on Auditing Standards No. 112*.

² Examples would include items related to derived tax revenues (e.g., sales and income taxes), uncollectible accounts, claims and judgments, the liability for landfill closure and postclosure care costs, and pollution remediation obligations.

³ See GFOAs best practice on *Audit Procurement*.

*This best practice was previously titled *Improving the Timeliness of Financial Reports*.*



Government Finance Officers Association

BEST PRACTICE

Cash Flow Analysis

BACKGROUND:

Governments conduct cash flow analysis to estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity. Common inflows include tax receipts, bond proceeds, utility payments, grants, other revenue from fees and penalties, and maturities of all securities held in investments that will mature during the forecast time frame. Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecast time frame. Governments should also consider and accommodate non-repetitive payments such as capital expenditures or expected legal settlements, using reasonable assumptions.

The analysis is intended to measure and assess the government's ability to meet its needs, to negate the need for any short-term borrowing or liquidation of long-term investments before maturity, and to identify any idle funds, and the duration of that idle period, to determine whether those funds could be invested over that time frame. Cash flow analysis can also help governments recognize issues that might have a negative impact on their cash positions. When looking at the entire organization, governments can use cash flow analysis to coordinate spending patterns to mitigate potential shortfalls by using information to improve revenue collection practices. Cash flow analysis is therefore an essential tool for informed management decision making.

RECOMMENDATION:

GFOA recommends that governments perform ongoing cash flow analysis to ensure that they have sufficient cash liquidity to meet disbursement requirements and limit idle cash. When conducting a cash flow analysis governments should:

- Create a pooled portfolio of unrestricted operating funds across all government funds, creating one pot of money that will be available for all routine operating obligations. This allows cash flow to be analyzed more efficiently. A government might need to exclude unspent bond proceeds or other similarly restricted funds from its cash flow planning analysis, depending on the timing and purpose of their use.
- Consider historical information and projected financial activity, which are critical to developing and maintaining the cash flow analysis process. Historical information, which can be derived from banking or financial system reports, is particularly useful if a given government's cash flows are predictable over time. Prospective information (e.g., a subsequent year's budget or the amortization schedules associated with new debt issuance) can help the analyst anticipate deviations from the historical norm.
- Compare actual cash flow results with projections and determine the reasons for those differences in the analysis. The precision of cash flow analysis depends on a government's size and complexity, and the size of its cash liquidity position, but adding this step will help make future analysis more accurate.

- Make conservative assumptions about both the cash receipts and disbursement portions of the analysis, and update these assumptions regularly, as well after any major changes in operations (e.g., a new debt issuance or at the beginning of a fiscal year).
- Monitor cash position daily to ensure sufficient liquidity. The accuracy of the cash flow forecast should be evaluated at least quarterly, and if any adjustments are needed, they should be made at this point. No forecast will be 100% accurate, and governments should weigh the amount of effort these evaluations require against any expected improvements in the model. A simple model often works best; consider making the model as straightforward as possible (while maintaining the reliability and precision of information needed for making appropriate management decisions).
- Select an appropriate tool for conducting the cash flow analysis. Many governments can complete an analysis using simple spreadsheet software, while organizations that require more complex modeling can use commercially available analytic or business intelligence systems, or modules found within common enterprise resource planning (ERP) or financial management systems.

An effective cash flow analysis should also encourage the government to communicate decisions that could affect cash inflows and outflows (e.g., decisions regarding legal settlements, changes in revenue collections, or significant milestones for capital projects) to the responsible parties so they can ensure sufficient cash liquidity.

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Government Finance Officers Association

BEST PRACTICE

Investment Policy

BACKGROUND:

An investment policy describes the parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored. The document itself serves as a communication tool for the staff, elected officials, the public, rating agencies, bondholders, and any other stakeholders on investment guidelines and priorities. An investment policy enhances the quality of decision making and demonstrates a commitment to the fiduciary care of public funds, making it the most important element in a public funds investment program.

RECOMMENDATION:

GFOA recommends that all governments establish a comprehensive written investment policy, which should be adopted by the governing body. The investment policy should be reviewed and updated annually and should include statements on the following:

- **Scope and investment objectives:** Tailor the scope and investment objectives to the type of investment to which the policy applies (e.g., excess operating funds, bond proceeds, pension fund assets).
- **Roles, responsibilities, and standards of care:** Identify the roles of all persons involved in the investment program by title and responsibility. Standards of care should include language on prudence (i.e., the prudent person rule), due diligence, ethics and conflicts of interest, delegation and authority, and knowledge and qualifications.
- **Suitable and authorized investments:** Include guidelines on selecting investment types, investment advisors, interest rate risk, maturities, and credit quality, along with any collateralization requirements.
- **Investment diversification:** State the government's approach to investment diversification, identifying the method that will be used to create a mix of assets that will achieve and maintain the government's investment objectives.
- **Safekeeping, custody, and internal controls:** Develop guidelines to enhance the separation of duties and reduce the risk of fraud.
- **Authorized financial institutions, depositories, and broker/dealers:** Establish a process for creating a list of financial institutions, depositories, and broker/dealers that will provide the primary services necessary for executing the investment program.
- **Risk and performance standards:** Establish one or more appropriate benchmarks against which the portfolio should be measured and compared.
- **Reporting and disclosure standards:** Define the frequency of reporting to the governing body and the government's management team.

References:

- GFOA Sample Investment Policy



Government Finance Officers Association

BEST PRACTICE

Fund Accounting Applications

BACKGROUND:

One important objective of external financial reporting is to help users assess accountability by assisting in determining compliance with finance-related laws, rules, and regulations.¹ To achieve this goal, state and local governments organize and operate their accounting systems on a fund basis.

Accounting and financial reporting are complementary, yet distinct. *Accounting* is the process of assembling, analyzing, classifying, and recording financial data and necessarily requires that data be maintained a high level of detail. *Financial reporting*, on the other hand, is the process of providing the information thus assembled, analyzed, classified, and recorded in a practical, summarized form suitable for decision makers.² The effective use of fund accounting requires that funds be established in a manner suitable for both purposes.

The number of funds established within an accounting system to collect and maintain data should be driven by the needs of management. The number of funds reported in external financial reports, on the other hand, should be based on the needs of financial statement users, who typically need and desire less detailed data. Accordingly, separate funds within an accounting system often can and should be combined to form a single fund for purposes of general purpose external financial reporting.

Sometimes governments inappropriately combine funds in their financial statements that ought not to be combined, thus denying financial statement users valuable information on legal compliance. More commonly, governments report more funds than are truly necessary to achieve the goals of general purpose external financial reporting, thereby needlessly adding to the length and complexity of their financial reports and potentially increasing audit fees.

RECOMMENDATION:

GFOA recommends that every state or local government that uses fund accounting³ establish clear criteria for determining whether a given fund in its accounting system should be treated as a fund for purposes of external financial reporting. The application of these criteria to individual funds should be documented and then periodically reviewed to take into account changes in circumstances (for example, a significant decrease in a revenue source reported as a separate special revenue fund). A governments periodic review of its fund structure ought to specifically consider whether the goals of general purpose external financial reporting could better be achieved by combining similar funds in

the accounting system into a single fund for financial reporting purposes. For example, it may be possible to combine a number of smaller debt service funds or capital projects funds into a single debt service fund or a single capital projects fund in the financial report. Likewise, it might be possible to combine individual grant funds that are available for similar purposes (e.g., special education) into a single special revenue fund.

Notes:

¹ Governmental Accounting Standards Board (GASB), Concepts Statement No. 1, *Objectives of Financial Reporting*, paragraph 32.

² *Governmental Accounting, Auditing, and Financial Reporting*, page 2.

³ This guidance is not intended to apply to most governmental units that are accounted for as stand-alone business-type activities.

This best practice was previously titled Using Fund Accounting Effectively.

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Government Finance Officers Association

BEST PRACTICE

Fund Balance Guidelines for the General Fund

BACKGROUND:

In the context of financial reporting, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis.¹ While in both cases *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP *fund balance* and budgetary *fund balance* be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.² The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed *unrestricted fund balance*. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.
2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as *GAAP fund balance* and *budgetary fund balance* in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

RECOMMENDATION:

GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.³ Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.⁴ In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.⁵ The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.⁶ Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy

should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict

contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

*This best practice was previously titled *Appropriate Level of Unrestricted Fund Balance in the General Fund*.*

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Government Finance Officers Association

BEST PRACTICE

Achieving a Structurally Balanced Budget

BACKGROUND:

Most state and local governments are subject to a requirement to pass a balanced budget. However, a budget that may fit the statutory definition of a balanced budget may not, in fact, be financially sustainable. For example, a budget that is balanced by such standards could include the use of non-recurring resources, such as asset sales or reserves, to fund ongoing expenditures, and thus not be in structural balance. A true structurally balanced budget is one that supports financial sustainability for multiple years into the future. A government needs to make sure that it is aware of the distinction between satisfying the statutory definition and achieving a true structurally balanced budget.

RECOMMENDATION:

GFOA recommends that governments adopt rigorous policies, for all operating funds,¹ aimed at achieving and maintaining a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

As a first step, the government should identify key items related to structural balance. These include: *recurring and non-recurring revenues, recurring and non-recurring expenditures, and reserves.*

Recurring revenues are the portion of a government's revenues that can reasonably be expected to continue year to year, with some degree of predictability. Property taxes are an example of recurring revenue. A settlement from a lawsuit is a good example of non-recurring revenue.

Some revenue sources may have both non-recurring and recurring components. These sources require finance officials to exercise judgment in determining how much of the source is truly recurring. For instance, a government may regularly receive sales tax revenues, but a large part of its base may be made up of retailers with highly volatile sales. In this case, it may be prudent to regard unusually high revenue yields as a non-recurring revenue under the assumption that such revenues are unlikely to continue, making it imprudent to use them for recurring expenditures. Another example might be building permit revenues in a period of high growth in the community. Governments should review their revenue portfolio to identify non-recurring revenues and revenues with potentially volatile components, such as the examples above.

Recurring expenditures appear in the budget each year. Salaries, benefits, materials and services, and asset maintenance costs are common examples of recurring expenditures. Capital asset acquisitions are typically not thought of as recurring because although some capital assets may be acquired every year, they are not the same assets year after year. In general, recurring expenditures should be those that you expect to fund every year in order to maintain current/status quo service levels. In general, a government has a greater degree of flexibility to defer non-recurring expenditures than recurring ones.

Reserves are the portion of fund balance that is set aside as hedge against risk. The government should define a minimum amount of funds it will hold in reserve.² This serves as a bottom line measure to help determine the extent to which structural balance goals are being achieved. If reserves are maintained at their desired levels, it is an indication that the organization is maintaining a structurally balanced budget. If reserves are declining, it may indicate an imbalance in the budget (e.g., if reserves are being used to fund on-going expenditures). It should be noted that reserves levels are not a perfect measure of structural balance, but are a good and readily available measure.

With the forgoing terms defined, a government should adopt a formal policy calling for structural balance of the budget. The policy should call for the budget to be structurally balanced, where recurring revenues equal or exceed recurring expenditures. The policy should also call for the budget presentation to identify how recurring revenues are aligned with or not aligned with recurring expenditures.³

For a variety of reasons, true structural balance may not be possible for a government at a given time. In such a case, using reserves to balance the budget may be considered but only in the context of a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken. Further, the plan should be clear about the time period over which returning to structural balance, replenishing reserves, and remediating the negative impacts of balancing actions are to occur.⁴

Notes:

¹ Note that this Best Practice excludes non-operating funds like capital and debt funds. While governments should ensure that these funds are financially sustainable as well, the specific recommendations found in this Best Practice may not always be a match to the circumstances of non-operating funds.

² See GFOA Best Practice Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009). GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures

³ Please note that the best practice is not advocating that recurring revenues be formally allocated or earmarked to recurring expenditures, but rather is advocating that the budget presentation provide transparency as to whether recurring revenues and recurring expenditures are balanced.

⁴ See GFOA Best Practice Replenishing Fund Balance in the General Fund. (2011).



Government Finance Officers Association

BEST PRACTICE

Website Posting of Financial Documents

BACKGROUND:

The Government Finance Officers Association (GFOA) has long encouraged governments to demonstrate accountability and transparency by making financial information of the highest quality readily accessible to citizens and other interested parties. A governments web site is especially well suited for this purpose. Benefits of using the governments web site to communicate financial information include:

- **Heightened awareness.** Many potential users of a governments financial information may only discover that it is available because they find it on the web site.
- **Universal accessibility.** Information furnished on a web site is readily available to a wide range of potential users (e.g., citizens, rating agencies, regulatory agencies, other governments, and the press) without charge.
- **Increased potential for interaction with users.** A web site can offer two-way, multi-conversational, or interactive formats. This capacity may be especially helpful for proposed documents or for citizen surveys.
- **Enhanced diversity.** A web site may offer the possibility of providing the same financial information in a variety of languages, which may be needed pursuant to the policies of a particular governmental entity.
- **Facilitated analysis.** Computerized tools can be used to find, extract, and analyze data presented in electronic form.
- **Increased efficiency.** Presenting all financial information in a single location can help to avoid calls for redundant specialized reports (e.g., reproducing data already presented in the comprehensive annual financial report or the budget document).
- **Lowered costs.** Electronic publication can be accomplished relatively quickly and can reduce or eliminate many of the costs associated with producing a hardcopy report, including those associated with handling and mailing the reports.
- **Contribution to sustainability.** Using a web site to disseminate financial information may reduce paper consumption, thereby contributing to the core value of sustainability.
- **Broadened potential scope.** The use of hyperlinks allows for easy referencing of relevant information from other sites.

While posting financial documents on a web site is a tremendous resource to citizens and an

important investor relations tool, governments should be reminded that it does not meet the continuing disclosure responsibilities for issuers of municipal debt set forth in Securities and Exchange Commission Rule 15c2-12.¹

RECOMMENDATION:

GFOA encourages every government to use its web site as a primary means of communicating financial information to citizens and other interested parties. Furthermore, the GFOA recommends that a government comply with the following guidelines when presenting official financial documents on its web site:

Formatting. The practical usefulness of a document is enhanced when a government observes the following formatting conventions:

- **Consistency with hardcopy version (if any).** If a document is issued in hardcopy form, the web site version should be identical.² Any subsequent changes should be made to both.
- **Legibility.** Font size, page layout (i.e., portrait versus landscape), and direction should be consistent throughout the report.
- **Pagination.** Pages should be numbered sequentially.
- **File size.** A single electronic file should be presented for the entire document. Individual files for the various components of large reports might also be presented in view of the limitations that some users face when attempting to download or receive large files. In such situations, the number of individual files should not be so great as to make it difficult to review the material or relate the various sections to one another.

Technological Infrastructure. A number of issues related to a governments technological infrastructure should be considered when presenting financial documents on the governments web site:

- **Security.** The security of the web site should be evaluated and all reasonable steps should be taken to protect documents from unauthorized changes.
- **Placement.** A link to the document should appear prominently on the homepage or there should be some other tool for easily locating the document (e.g., internal search tool).
- **Software compatibility.** The software used should be suitable for the particular information being presented and be broadly compatible with other commonly used software.
- **Features.** The downloaded file should allow for basic features such as zooming and continuous page format (e.g., so rows on financial schedules can be viewed on facing pages). A search mechanism should also be available within the document.
- **Instructions.** General user instructions (e.g., how to download Adobe software) should be provided. A notation also may be needed to direct the user on how best to view the document (e.g., laptop or desktop computer versus a handheld device).
- **Linking.** The table of contents should allow the user to go to specific pages with a click of the mouse. The inclusion of bookmarks also can enhance flexibility and maneuverability in navigating the document.
- **Testing.** Web site-based financial documents should be tested to ensure that they will function with different computer operating systems.

Electronic financial reporting language. Governments should monitor developments in standardized electronic financial reporting (e.g., extensible business reporting language [XBRL]) and

apply that language to their electronic document process when appropriate.

Distribution. Electronic publication can also help the government meet the objective of providing financial information on a timely basis. Once published electronically, potential users should be informed that financial documents are available at the web site. Local newspapers, cable television, council meetings, mailings, and the printed document itself (if prepared) can be used for this purpose. For users without access to the Internet, other electronic media (e.g., CDs or flash drives) should be made available at locations such as local libraries or the city hall. Before electronic publication, the government should consult with their counsel to ensure that any legal issues related to the distribution of the financial information have been appropriately addressed, including compliance with all applicable provincial, state and federal laws and regulations (e.g., American Disabilities Act).

Information disclaimer. If applicable, the web site should prominently notify users that the information in the financial document has not been updated for developments subsequent to its issuance.

Historical information. If a government elects to present documents of prior years, the web site should identify those documents as dated information for historical reference only and clearly segregate them from current information. A library or archive section of the web site is advisable for this purpose.

Notes:

¹ Governments with public debt outstanding are urged to consult GFOAs recommended practice Using a Web Site for Disclosure. Issuers of public debt also should familiarize themselves with SECs Interpretive Release on the Use of Electronic Media (see www.sec.gov/rules/interp/34-42728.htm).

² However, slight variations that may be necessary for practical reasons to prepare the hardcopy information for publication as an electronic document are acceptable. In cases where there is some type of auditor association with a document, it can be helpful to reach an upfront agreement with the auditor on the nature of the revisions that are acceptable in the preparation of the electronic document.

This best practice was previously titled Presenting Official Financial Documents on Your Government's Website.

References:

GFOA Best Practices, Improving the Timeliness of Financial Reports (2008)

GFOA Best Practices, Using a Web Site for Disclosure (2002).

GFOA Best Practices, Sustainability (2002).

Extensible Business Reporting Language (XBRL) web site, <http://www.xbrl.org/Home/>.

APPENDIX F
STANDARDS FOR EFFECTIVE LOCAL GOVERNMENT:
ACTION PLANNING PROCESS

ACTION PLANNING: Steps in the Process

REQUISITES FOR EFFECTIVE PROBLEM-SOLVING:

1. Have an open mind.
2. Check your motives.
3. Sharpen your negotiating skills.

ACTION STEPS:

1. What is the problem?
2. What are the issues?
3. Who are the stakeholders – those individuals/ parties involved with the problem and who will be affected by the decision or outcome.
4. Analyze Data/ Prepare Discussion Paper
5. Discussion of Problem/ Issue at Legislative Workshop
6. Authorize the Exploration of Alternatives for Resolving the Problem
7. Broaden Discussion of the Problem/ Issue through a Public Hearing
8. Research/ Identify Alternative Courses of Action
9. Develop Alternatives
10. Test Alternatives
11. Make a Decision

APPENDIX

ACTION PLANNING PROCESS

Local officials, after completing an assessment of their municipality, may find standards in one or more of the thirteen areas that are only partially met or not met at all. This appendix discusses an action planning process for the development of strategies to address deficiencies associated with municipal operations. Three action plans dealing with police staffing, employee performance assessment, and the installation of new street signs are provided as illustrations of the process. The police staffing plan is presented in segments as part of the general discussion. The others are presented in a format that can be used as a working guide and can be found at the end of this appendix.

Creating Strategies to Address Partially Met or Unmet Standards

The description of the action planning process is divided into four parts;

- (a) identification of the problem(s),
- (b) designation of the people primarily responsible for solving the problem,
- (c) development of a timetable to resolve the problem/ issue, and
- (d) working through the eleven action steps.

Identification of the Problem Areas

Once an assessment of all the standards is complete, each section of the workbook should be reviewed by the governing body in consultation with the manager or administrator to decide which standards are only partially met or unmet. Rather than attempt to address each deficiency, the problem areas should be prioritized with consideration for urgency, budget impact and/ or importance to the community. For best results, it's wise to choose only a few partially or unmet standards for action planning at one time.

Designation of Primary Responsibilities

After reaching consensus about which partially or unmet standards are the most urgent or important problems or issues, the governing body, with the manager or administrator and related department supervisors, should identify who will be primarily responsible and involved in the work necessary to resolve the problem(s). Depending on the nature of the problem(s), those having a primary responsibility will vary. For instance, determining how to provide police protection 24 hours/ day, 7 days/ week is a major policy choice and would warrant a higher degree of involvement by elected officials. In comparison, developing a design and cost estimate for a community-wide street sign program would require greater participation by the manager or administrator with input from police and public works personnel. In instances like the development of a zoning ordinance or comprehensive plan, the municipal officials may need professional assistance from a municipal planner, engineer or attorney. And, depending on the area under review, it may be appropriate to include recreation and planning commission members as primary participants.

Designation of Timetable

How much time will it take to thoroughly assess a problem or issue, identify and consider alternative courses of action, and select a solution for implementation? Effective problem solving requires the allocation of a sufficient amount of time over a period of weeks or months for the primary parties to gather, organize, refine and present relevant information. The manager or administrator, in conjunction with the governing body, should map out a schedule with deadlines noted for all of the steps in the action planning process. (See p. A-10 for an illustration.) Frequently, strategies to address partially met or unmet standards will have budgetary implications. Creating an action planning schedule that coincides with or concludes prior to budget deliberations may facilitate the resolution of a problem. Timetables, too, should be flexible but not so protracted that the parties involved have little incentive to complete their work. And, if an action planning process extends over several months, someone should be designated as the monitor to periodically provide progress reports.

Requisites for Effective Problem Solving

Decision makers can help strengthen solutions by recognizing how they may personally affect the action planning process. Effective solutions are fostered when the decision making atmosphere is characterized by open-mindedness, community rather than personal interest and keen negotiating skills. Requisites for effective problem-solving are more fully detailed below.

Have an Open Mind

Those involved in problem solving should guard against taking an adamant, unyielding position regarding how, or if, a problem should be resolved. "Absolutism" on the part of public officials usually results in an unwillingness to give serious attention to alternative courses of action. The world of public service is complex and "messy." Frequently, honest, capable individuals can disagree on what action is in "the public interest." For this reason, responsible officials must be willing to listen to the ideas of others from an open and objective perspective. When seeking solutions, your search should pursue balance, accommodation, and reconciliation. According to Tom Peters, author of several best selling management books, "...whether in government or the private sector, ...there has never been an effective leader yet who has not devoted 90 percent of his [her] time to consensus building."

- Check your motives.

This is particularly important when faced with politically sensitive problems and decisions. Fact gathering and analysis may clarify the course of action that will best resolve the problem. At the same time, some actions or decisions may be politically unpopular and may alienate constituents. This can be a defining moment for a public official, particularly if a reelection bid is at hand: Should you do the right thing and risk your political future or do what is politically popular with little personal risk. The ethical official will always be honest about his/ her motives regarding a particular action. Placing personal interests ahead of the public interest is a breach of public obligation and responsibility, and is unethical. No amount of self-deception and self-justification will change this. Using a careful approach to problem solving like that illustrated in the action steps which follow will help place an official in a "win-win" position.

- Sharpen your negotiating skills.

Here, some of the best advice about effective negotiations comes from Roger Fisher and William Ury's book, Getting To Yes. Two points are especially important for public officials:

- (a) Remember the goal in public decision making is to achieve a wise outcome, not claim "victory" for any one individual or faction.
- (b) Separate the people from the problem. In a political setting, it is not uncommon for personalities and animosities to intrude or interfere with the problem at hand. There may be a lack of trust between "players." All of this can lead to much misunderstanding and anger. Fisher and Ury in Getting to Yes advise "Be soft on the people; hard on the problem." Often the basic problem in reaching an agreement regarding a solution is not so much sorting out conflicting positions as it is to acknowledge the needs, desires, concerns and fears of all parties (stakeholders) affected by a decision. For best results, when involved in decision making, local officials should be willing to withhold judgment until after "trying on the views of others."

Eleven Action Steps

Eleven steps make up the action planning process. Discussion of each step is presented below. An example about a police staffing problem will be used to demonstrate how each step of the process works.

STEP 1 - What is the Problem?

A problem cannot be effectively dealt with until it is accurately defined, in writing, and understood. Someone must be assigned the task of documenting the problem and finding answers to questions such as: How and why did the problem occur? Over time, have changes in the community focused attention on the problem/ issue? What effect does the problem/ issue have on the community's well-being? The problem should be defined in such a way that reasonable people, although they may not like what they read and hear, will understand.

Who will be responsible for documenting the problem?

What is the target date for completing the task?

Example: A funding shortage in the operating budget has caused the furlough of four of ten full-time police officers.

PROBLEM TO BE SOLVED: A 40% reduction in staffing would cause the following standard to be unmet:

Police, Factor: Adequacy of police manpower, Standard No. 1, "The number of police officers is sufficient to provide police coverage and service seven days a week, 24 hours a day, whether through municipal resources or by formal agreement or contract with another local government or agency."

To address the problem, municipal officials would have to determine:
(a) How and why the funding shortage occurred? (b) Over time, what changes in the community have had an effect on the demand for police protection and services? (c) What has been the impact of the police manpower reduction, and can the impact be documented?

Who will be responsible for documenting the problem?

- The manager or administrator and the police chief would be assigned responsibility for documenting the problem.

What is the target date for completing the task?

- Two weeks.

STEP 2 - What are the Issues?

In order to fully appreciate and understand the problem to be solved, all critical issues surrounding it should be identified, described and documented. This discussion would include a review of the financial position of the municipality, the costs associated with different service alternatives, existing contractual obligations, citizen demands and expectations for service, and the capacity of the municipality to simultaneously maintain competitive tax rates and good service levels.

Who will be responsible for identifying the issues?

What is the target date for completing the task?

Example: The issues related to a police staffing reduction would include (a) determining whether the funding shortage is due to a temporary or permanent change in the community's tax base or/ and expenditures for police or other local services which may be out of sync with the budget; (b) identifying different levels of police service and their associated costs (basic patrol and emergency response versus basic patrol and the additional cost of specialized services such as accident, juvenile and criminal investigation capacities); (c) determining the flexibility the municipality has given existing contractual obligations with police personnel; (d) identifying the public's preferences with respect to police services; and (e) gauging the municipality's future prospects for remaining attractive to residents by maintaining a safe and secure community within the context of competitive local tax rates.

Who will be responsible for identifying the issues?

- The manager or administrator, finance officer, municipal solicitor and police chief would likely have input in defining the issues and their implications.

What is the target date for completing the task?

- Two weeks.

STEP 3 - Who are the Stakeholders?

List all the individuals and/or groups within the community and municipal organization who have concern with or will be affected by a decision to resolve the problem or issue. Once the stakeholders have been identified, what is known about their concerns should be indicated.

Who will be responsible for listing the stakeholders and cataloging their concerns?

What is the target date for completing the task?

Example: Because the problem of police staffing affects every member of the community, those included in any decision process are at minimum the citizens, elected officials, the police department, and members of the administrative staff. Depending on how well organized the community is, it may be appropriate to invite representatives of the Community Crime Watch, the public school system, chamber of commerce, senior citizens, churches, children and youth organizations, etc., to take part in the discussion.

Who will be responsible for listing the stakeholders and cataloging their concerns?

- The manager or administrator, police chief and elected officials who oversee public safety matters would compile a list of stakeholders and the types of concern each would have. Consultation with leaders of stakeholder groups might add insight to community concerns and reactions to the change in police staffing and the effects it may produce.

What is the target date for completing the task?

- Two weeks depending on whether discussions with community leaders will take place. This work could be done simultaneously with Step 2.

STEP 4 -Analyze the Data and Prepare a Discussion Paper for Circulation to the Elected Officials.

The information gathered from steps 1 - 3 should be compiled and circulated to the elected officials and other appropriate personnel for review before the formal discussion of the matter at a legislative workshop session.

Who will be responsible for preparing the discussion paper?

What is the target date for completing the task?

Example: The work outlined in steps 1 - 3 would to some extent be done concurrently once the action was taken to furlough members of the police force.

Who will be responsible for preparing the discussion paper?

- The manager or administrator would draft the discussion paper in consultation with those who were responsible for gathering the information in steps 1 - 3.

What is the target date for completing the task?

- Two weeks after the work associated with steps 1 - 3 is completed, a draft of the discussion paper should be available for the elected and appointed officials to review.

STEP 5 - Discussion of Problem/ Issue at Legislative Workshop.

This would be the first, structured, public discussion of the problem based on actual data and analysis. Especially since such workshops in Pennsylvania are open to the public, it is important that all officials have the benefit of solid information as a basis for their comments. It is at this step and the next that the initial views and positions of the elected officials will become known. At neither step should there be debate on a particular course of action. It is too soon.

Who will be responsible for leading the discussion or providing an overview of the problem/ issue at the workshop meeting?

What is the target date for the first discussion?

Example: Who will be responsible for leading the discussion or providing an overview of the problem/ issue at the workshop meeting?

In this situation, it would be appropriate for the chair or president of the legislative body to open the discussion and then delegate responsibility to the manager or administrator to outline the problem and actions taken thus far. Others involved in steps 1 - 3 ought to be present at the workshop to provide input as necessary.

What is the target date for the first discussion?

- As soon as feasible after the discussion paper is circulated, the matter should be discussed at a legislative workshop meeting.

STEP 6 - Authorize the Exploration of Alternatives for Resolving the Problem.

At a regular public meeting, the governing body should acknowledge the need to resolve the problem and indicate that a serious, objective effort to resolve it will be undertaken. It should be clear that elected officials and management have done their "homework" and can fluently discuss the matter. It is important at this stage to assure the public and other stakeholders that no particular course of action is favored; all feasible options will be examined. The group's timetable for addressing the matter should also be reviewed. (When a problem concerns municipal employees, its acknowledgment may occur at a meeting attended by the affected employees or their representatives.)

Who will be responsible for researching alternatives?

What is the target date for completing the task?

Example: Given the nature of the police staffing reduction, it may be appropriate to provide for an interim problem solution. Some communities have utilized part-time police officers or officers from other municipal, county or state law enforcement agencies to provide temporary service until a longer term solution is implemented. At the same time the problem is acknowledged and plans for resolving it are announced, the public should be re-assured that police service will continue via temporary arrangements, etc.

Who will be responsible for researching alternatives?

- The manager or administrator and police chief should be authorized to research the alternatives on behalf of the community.

What is the target date for completing the task?

- Four-six weeks may be required to thoroughly investigate the available options. A sample timetable for the resolution of the police staffing problem appears on the following page.

STEP 7 - Broaden Discussion of the Problem/ Issue Through a Public Hearing.

Before solutions are formalized, the public should be given the opportunity through a special public hearing to provide comment to the governing body. The governing body's role at such a session is to listen, not argue for or against a particular point-of-view. The public hearing should begin with a summary of the problem, based on the previously developed discussion paper. Information from the public hearing should be channeled into the next two steps, 8 and 9. (Again, when a problem concerns municipal employees, a review of prospective solutions would occur at a meeting attended by the affected employees or their representatives.)

Who will present a summary of the problem?

What is the target date for the first public hearing?

Example: Who will present a summary of the problem?

- The chair or president of the legislative body should conduct the hearing. While it is critical that the person leading the discussion be fully informed about the problem and all actions to date, he/ she should be able to call on specific members of the group involved in steps 1 - 3 during the course of the public hearing for input.

What is the target date for the first public hearing?

- If the community is very concerned about the situation it may be helpful to schedule a public hearing while alternatives are being researched as a way to indicate to the public that their interests are important.

STEP 8 - Research/ Identify Alternative Courses of Action.

By the time this step is reached, the problem has been identified as clearly and objectively as possible. The task, at this time, is to address possible solutions. Avoid viewing alternatives in dichotomous terms: either you do this or that. At this stage, list every course of action which can be identified.

Identifying alternatives involves:

- (a) a brainstorming session where all options are placed on the table,
- (b) touching base with agencies which have knowledge of and experience with local governments which have taken new and innovative approaches to service provision or administrative and operating processes, and
- (c) compiling from item b, useful strategies, methods, options.

Who will compile this information?

What is the target date for completing the task?

Example: To address the police staffing problem, the list of options to be researched would include:

- consolidation of the police department with a neighboring department via a joint powers agreement, contracting with a neighboring jurisdiction for police services,
- seeking police service from the state,
- seeking police services from the county,
- formal mutual aid agreements with neighboring municipalities,
- cross-training of police/ fire or police/ public works employees, etc.,
- reconstituting the police by increasing taxes and/ or cutting services in other areas, and
- continuing under current operating circumstances.

Other options may be identified through discussions among the elected officials, staff and representatives of agencies which have knowledge of and experience with new and innovative approaches to police services. Available outside resources would include agencies like the Pennsylvania Economy League, the Southwestern Pennsylvania Commission, the State Department of Community Economic Development, the International City/ County Management Association and the International Association of Chiefs of Police.

Who will compile information about the potential strategies to resolve the problem?

The manager or administrator would be primarily designated to research the alternatives and prepare a report of his/ her findings.

What is the target date for completing the task? Four-six weeks

STEP 9 - Develop Alternatives.

For decision making to be effective, you must be able to substantiate why a choice has been made. Consequently, before any prospective alternatives are rejected, it is important to document the positive and negative consequences for each alternative. Examining strengths and weaknesses involves asking critical questions. Answering questions, such as those noted below, may require additional research to assess the feasibility of each option.

- (a) How will the stakeholders view this alternative?
- (b) Who might be harmed by this option?
- (c) How does the cost of the option compare to the cost of the present service?
- (d) Are there any insurmountable barriers which make this alternative infeasible? What are they?
- (e) If this solution has been tried elsewhere, how well has it worked? What have been the positive as well as negative effects on service?
- (f) Is the alternative a short or long term solution?

Who will be responsible for researching and developing alternative courses of action?

What is the target date for completing the task?

Example: All of the questions noted above are applicable to the police staffing problem. Each option identified in step 8 should be evaluated against all of the questions. To create greater understanding, verifiable examples from other local government experiences should be presented to illustrate the possible successes and risks associated with each option.

Who will be responsible for researching and developing alternative courses of action?

- The manager or administrator would be primarily designated to develop the alternatives and prepare a report of his/ her findings.

What is the target date for completing the task?

- Some of this work can be done simultaneously with the action noted in step 8. Further research may be required as preliminary reviews of the options are undertaken by the legislative body.

STEP 10 - Test Alternatives.

Informally contact key stakeholders for their reactions to the various alternatives. Hold a second public hearing to review the results of the assessment of the alternatives and again seek public comment. (A similar review meeting would be held with employee groups or representatives, if the problem were internal to the organization.)

Who will prepare and present the summary?

What is the target date for the second public hearing?

Example: Who will prepare and present the summary?

- The administrative staff would prepare the materials for presentation at the public hearing. Individuals would be given responsibility for informally contacting key stakeholders to gauge their reactions to available alternatives.

What is the target date for the second public hearing?

- The second public hearing should be held as soon after the alternatives have been evaluated against the questions posed in step 9.

STEP 11 - Make a Decision.

After all of the above steps have been completed, a decision should be made. By the time the vote is cast or an alternative is selected, each member of the governing body should be comfortable with his/ her vote. Each official should develop a statement about why he/ she has voted for or against the chosen option and consider whether his/ her choice would change if held up to public scrutiny.

Example: The alternative selected by the governing body should provide police coverage 24 hours per day/ 7 days per week, maintain adequate safety and security within the community, and at a cost the municipality can afford.

Other Action Plan Illustrations

The final part of the appendix contains two other action plan illustrations. One concerns the development and application of a formal performance evaluation process for municipal employees. In this instance, the manager or administrator would develop the action plan for review and adoption by the governing body. The plan would strengthen the community's personnel management function by setting goals, objectives and measures for employee performance. While public understanding and acceptance are critical in the illustration dealing with police staffing, this one focuses on gaining employee participation and support and the elected officials' commitment to an objective performance evaluation process. A sample performance-based evaluation format for a municipal manager or administrator is included on pages 14-15.

The last illustration is operational and essentially non-controversial. Basically, the staff would be responsible for the creation of an action plan to install new street signs throughout the municipality. The governing body's review and approval would be necessary because implementation of a plan like this typically requires the allocation of substantial financial resources. This plan is similar to the first example because it highlights the importance of careful problem assessment and the definition of the steps necessary to attain a good outcome. It can be found on pages 16-17.

These illustrations should serve as guides to address standards across the areas covered in the workbook. They also indicate that finding appropriate solutions for most municipal issues and problems requires a reasonable commitment of time and resources by elected and appointed officials to thoroughly review a matter and all available options before a decision is made or a corrective action is undertaken.

Illustration 2

An Action Plan for Implementing Standards Not Met

Standard not met: The municipality has adopted a formal performance evaluation plan which provides for evaluation of all employees at least annually.

Goal: To install a formal performance evaluation system within one year which, in addition to board standard above, also meets all of the other standards called for in the performance section. (These standards and commentary should be reviewed.)

Action steps:

Step No.	Description of Action	Responsibility	Time Period	Projected Cost	Objective Met
1.	At a workshop session of the governing body, gain the approval of elected officials to proceed with development of a plan.				
2.	Gather data on personnel evaluation systems. This would include a literature review, a review of court decisions, and commentary on experiences of local governments using a performance evaluation system.				
3.	Based on this research, develop a statement of purpose that will govern a proposed evaluation system.				
4.	Based on the above research, develop two or three options for an evaluation system that are seen as satisfactory for the municipality, and which meet the standards called for in the Workbook: performance based, involves employee participation. Each option should discuss advantages and disadvantages. (This should evolve as a tentative plan.)				

Step No.	Description of Action	Responsibility	Time Period	Projected Cost	Objective Met
5.	Discuss concept, purpose, and proposed options with department heads and other key staff.				
6.	Make any necessary revisions to statement of purpose and options. Narrow options, if possible.				
7.	Discuss proposal with all employees directly, and with the employee union(s), if appropriate.				
8.	Make revisions. Narrow options to oneCa proposed system.				
9.	Discuss the proposed system (in the form of a general plan) with elected officials. This stage should note very specifically all opposition and concerns expressed by staff and employees, and how important reservations about the proposals might be overcome, or why they are not appropriate.				
10.	Make necessary revisions needed to gain approval of the governing body.				
11.	Develop an evaluation system. This should take the form of a Performance Evaluation Handbook. It would include the evaluation form, schedule for evaluation, how the evaluation will be used, areas of responsibilities, etc.				
12.	Distribute the Handbook to all employees.				
13.	Meet with employees to answer questions; handle concerns.				
14.	Hold training sessions with all supervisors to instruct them on their responsibilities, how to do an effective evaluation, etc.				
Step		Responsibility	Time Period	Projected Cost	Objective Met

Step No.	Description of Action	Responsibility	Time Period	Projected Cost	Objective Met
No.	Description of Action				
15.	Implement system for a one-year trial period. This will include careful monitoring by the manager, and keeping elected officials informed on how the system is working.				
16.	Gain feedback from employees and supervisors. Make the necessary changes.				
17.	Create a time-line; fully implement the system.				

Chart 2 page 2, Mgt. guide 6
D 5/30/90, 6/11/90
Implementing Goals & Standards

Illustration 3

An Action Plan for Implementing Standards Not Met

Standard not met: All municipal streets are signed. Street signs are aesthetically pleasing, well maintained, and of maximum visibility.

Goal: To completely re-sign the municipality within two years, beginning January 20__.

Action Steps:

Step No.	Description of Action Needed	Responsibility	Time Period	Projected Cost	Objective Met
1.	Document the problem \$ Number of street signs down/ vandalism \$ Signs rusted/ bent \$ Signs poorly placed for visibility \$ Streets never signed, etc.				
2.	Tasks before cost and manpower needs can be determined \$ Estimate the number of new signs needed and old signs to be removed \$ Location of all new signs \$ New equipment that might be needed \$ Projected time needed to accomplish each task, etc.				
3.	Examine alternatives with respect to: \$ Size and color of signs available \$ Respective cost of each alternative.				
4.	Examine alternatives for accomplishing goal: a. In-house. Is there available manpower? \$ Does the municipality have the needed equipment and materials? \$ If not, estimate costs. b. Contract out. Since this is prior to bidding, projected costs might be had by contacting communities which have contracted for resigning \$ Determine availability and reputation of prospective contractors. c. Combination of in-house and contracting d. Other: Special assessment Adopt-a-street, etc.				

Step No.	Description of Action Needed	Responsibility	Time Period	Projected Cost	Objective Met
5.	Project overall cost to accomplish goal: a. Budget allocation needed b. Programmatic statement to support budget allocation				
6.	a. Seek input from others in the public works department and others in the municipal family whose input/ support would be important for goal accomplishment. b. Revise plan.				
7.	Present plan (revised) to elected officials for approval a. Workshop agenda item for discussion b. Public meeting for presentation to public, public input, and formal approval.				
8.	Revise plan as necessary. For example, because of costs it might be necessary to phase in the resigning plan over a longer period. Citizens may present ideas and testimony warranting revision of the plan.				
9.	Implement the plan.				