City of York

Pennsylvania

Five Year Plan and Financial Management Study Update

Early Intervention Program
Multi-Year Financial Plan

October 2011

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Executive Summary

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In 2005 and 2006 Public Financial Management (PFM) worked with the City of York to develop a multi-year financial plan through the Commonwealth of Pennsylvania's Early Intervention Program (EIP). Sponsored by the Governor's Center for Local Government Services in the state's Department of Community and Economic Development, the EIP is intended to help local governments identify and address long term budget challenges before they reach crisis situations.

PFM has returned to update the portion of the EIP related to the City's workforce management, debt management, revenue collection and non-public safety operations.[1] Since 2006 the City has made a significant effort to address the challenges discussed in the first EIP report. That has led to progress in key areas despite the national recession that has drained local governments financially throughout the country, the common difficulties that most Pennsylvania cities face and the City's own unique challenges.

Unfortunately, despite the City's efforts and progress to date, this EIP report does not just describe long term challenges that could, in the future, develop into threats to the City's financial stability. The challenges described here have already arrived and have driven York's budget into deficit in recent years, even if those deficits are not always apparent to York's citizens. If the challenges described in this report are not addressed, their impact will be unmistakable. They could threaten the City's ability to continue providing critical services within the five year period covered in this report.

This report provides a strategy to begin addressing those challenges so the City can regain financial balance. More will be necessary, but this report can be a catalyst and guide for the difficult decisions ahead. It is encouraging that in anticipation of these findings, and as part of the new Administration's review of the City's financial options, elected and appointed officials are already considering potential responses to these challenges.

Baseline projection

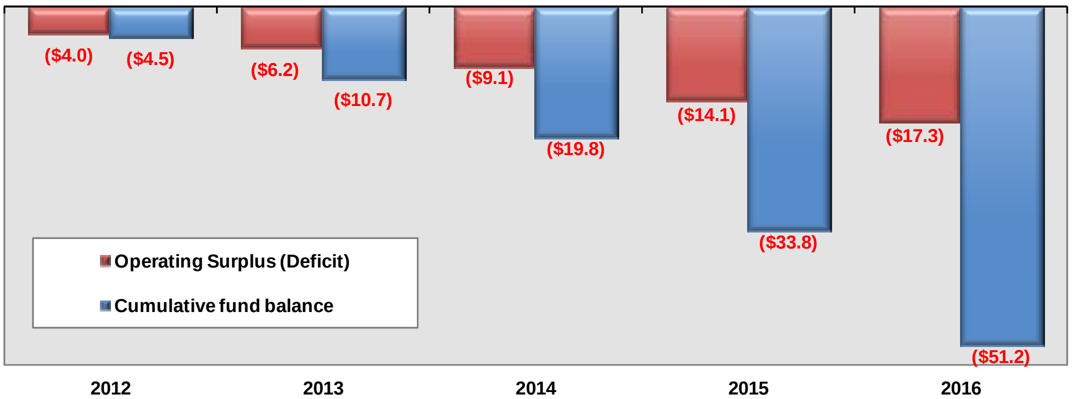
PFM has been working with the City of York on multiyear financial projections since the City went through the Commonwealth's EIP process the first time in 2005 and 2006. PFM built a multi-year budgeting model that uses the City's historic financial results, regional trends and contractual obligations to project the City's year-end financial position for the next five years. The model generates baseline projections that show the City's future revenues and expenditures assuming no significant policy changes through 2016. Tax rates, service levels and workforce size are assumed to remain constant. The projections account for scheduled debt payments and the annual wage increases set by collective bargaining agreements. This baseline projection provides insight into whether recurring revenues are sufficient to cover recurring expenses. In cases where there is a projected deficit, the baseline projection helps City leaders and the community understand the size and nature of the deficit and evaluate the options for closing it. *For more information on the baseline projection, please see the Introduction.*

The model's baseline projections for 2012 through 2016 are shown below for the funds that are primarily supported by tax revenue.[2] Absent corrective action, the City will have a $4.0 million operating deficit beginning in 2012. Because the City's financial results are cumulative – where the City finishes one year impacts where it starts the next – the baseline projection shows a cumulative major fund deficit of $51.2 million by the end of 2016.

[1] The City conducted a separate study of the Fire Department, which was completed in 2010, and has another study of the Police Department in progress.

[2] These projections include revenue and expenses for the following funds: General, Internal Service, Recreation, Ice Rink (for operating and debt service expenses) and Bond Issue Sinking funds for 1995, 1998, 2002 and 2011. Funds associated with the City's sewer system and grant funded activities are not included in these projections, though they are presented in summary form throughout the report.

Baseline Financial Projection – Major Funds



Why is there a projected deficit?

The projected deficit is caused by an imbalance in the City's recurring revenues and expenses.

The City's primary source of revenue is the property tax, which accounted for 34.3 percent of all General Fund revenue and 67.2 percent of all tax revenue in 2010. The property tax is levied on the assessed value of taxable property in the City. There has been very little natural growth in that assessed value since 2002, so the City's tax revenues also would not have grown without tax increases.[3] To that end, the City has increased the property tax by 44.2 percent since 2006. The City has also increased other fees and service charges, started collecting an admissions tax and enacted a parking tax to try to generate enough revenue to cover its expenditures.

The City's other major tax revenues, such as the earned income and local services tax, are driven by employment, residents' income and receipts of businesses located in the City. The City's unemployment rate increased from 7.6 percent in June 2008 to 12.3 percent in June 2011. That 12.3 percent rate was 4.7 percent higher than the unemployment rate for Pennsylvania as a whole and 3.1 percent higher than the rate for the United States. Over a longer period, US Census Bureau data shows income levels in the City growing more slowly than in the rest of York County. Median household income within the City increased by 10.4 percent from 1999 to 2009 compared to 24.3 percent for the entire county. Given the stagnant property tax base, high unemployment, and slowly growing income levels, the City's revenues are projected to grow very modestly absent corrective action through 2016. *For more information on the City's revenues, please see the Revenue Chapter.*

On the expenditure side, most of the City's expenses (67.3 percent of the major funds in 2010) are related to employee compensation – wages, salary, health insurance, pension benefits, overtime, etc. These costs have generally increased in each category. Employees represented by collective bargaining units have received annual wage increases each year since 2007. With the exception of employees represented by the International Brotherhood of Electrical Workers, union employees had their base wages increase by at least 24.0 percent between 2001 and 2010 while the primary national inflationary index (chained CPI-U) increased by 21.5 percent over that same period.[4]

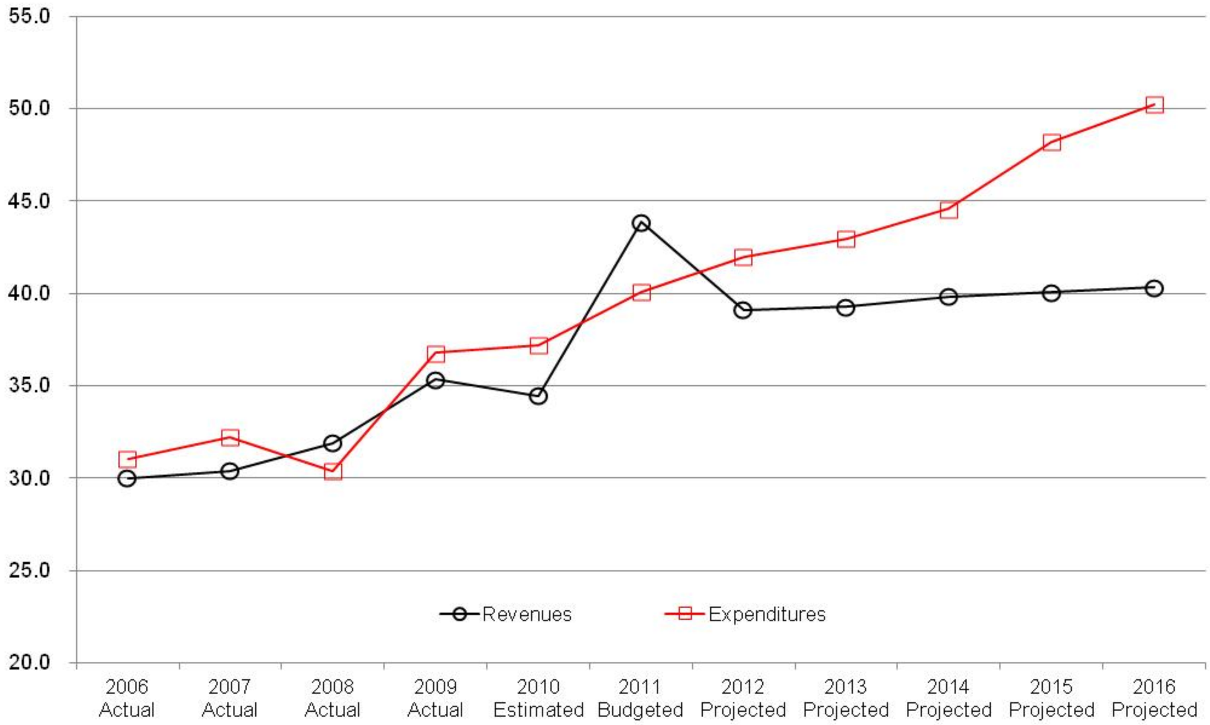
[3] Assessed value increased in 2006 when there was a Countywide reassessment, but that process is not expected to occur again in the next five years.

[4] Base wages for IBEW increased by 21.6 percent over this period. Please see the Workforce chapter for more information.

Other personnel expenses are also rising. Overtime spending increased by $818,000 (or 72.5 percent) between 2006 and 2010. Spending on employee health insurance claims increased by $2.1 million (or 44.6 percent) over this period. The City's minimum contribution to its employee pension fund increased by $1.9 million (or 39.6 percent).

The City has taken action to control these expenditures, such as moving employees to a more affordable health insurance plan and closely monitoring whether vacant positions need to be filled. Despite these efforts, the City's General Fund expenditures grew by 19.9 percent from 2006 to 2010 while General Fund revenues grew by 14.9 percent. The City's external audit for FY2009 shows the General Fund finishing that year with a negative fund balance of $1.0 million. The City's estimated 2010 results show an additional $2.7 million operating deficit. As the chart below shows, expenditures exceeded revenues in the General Fund in four of the last five years. The future deficits are an extension of these recent results.

General Fund Revenues and Expenditures, 2006 Actual – 2016 Projected



The chart above shows General Fund revenues exceeding expenditures in 2011. This is based on the City's FY2011 budget that has a $3.7 million positive operating result in the General Fund for this year. That positive result is partly dependent on the City's receipt of a one-time $5.1 million Redevelopment Assistance Capital Program (RACP) grant from the Commonwealth of Pennsylvania.

The 2011 figures for all major funds assume the City will issue $20 million in new debt this year to convert the existing City Hall building at 55 West King Street into a police station, convert 101 South George Street into the new City Hall and refinance existing debt. At the time of publication, the City was revising the final list of projects to be financed by the 2011 borrowing. *For more information on the City's debt service, please see the Debt Service section.*

The Pension Problem: Late MMO payments

If the City has been running a deficit, as its external auditor reported for FY2009 and its own records show, how does it continue to meet payroll, pay vendors and maintain operations?

The answer partly lies in the City's annual Minimum Municipal Obligation (MMO) to its employee pension fund. The City is required by the Commonwealth to make this minimum payment to the pension fund in full by December 31 of each year. If the City does not do so, it incurs a substantial penalty. The City has not paid its full MMO by the December deadline since 2007.

Initially the City refrained from paying the full MMO in 2008 when there was uncertainty whether the City could secure the loan it needed for cash flow in early 2009.[5] The City did receive that loan and used a portion to make the rest of the pension payment that was due on December 31, 2008. The late payment generated an additional $297,000 penalty that the City had to deposit into the pension fund.

The City did not meet the MMO payment deadline in 2009 or 2010. Last year the City owed $2.2 million on the MMO as of December 31, 2010. The City paid that amount early this year, but the late payment will generate an estimated $496,000 penalty.[6] That penalty is included in the baseline projections for 2012.

This cycle of delinquency creates at least two problems for the City. First, it increases the pension-related burden on the General Fund and the City's taxpayers. Normally the City would deposit the full MMO in the pension fund by the end of the year in which it is due. That money would be invested and earn a return, reducing the City's pension liability. In this current cycle of delinquency, the MMO is not deposited in the pension fund on time and the City incurs a penalty that the General Fund has to cover. That reduces the amount of money available for other purposes.

Second, absent better-than-expected performance in other parts of the budget, this cycle of delinquency creates a growing liability that the City carries into each year. The City starts with a shortfall and misses the MMO payment. The City increases its cash flow borrowing the next year to pay the prior year's MMO. At the end of that year, the City does not have enough money to repay the larger loan and the new MMO in full by December 31. So the City repays the cash flow loan while paying even less on the new MMO than in the previous year. It carries a new, larger debt into the following year. Unless the City has a year in which there is a surplus elsewhere to cover this shortfall, the cycle repeats and the liability grows.

In short, the City is addressing its annual recurring deficit by paying less and less on its MMO each year, borrowing against that amount and incurring a penalty for doing so. This is not sustainable. If it continues, the City risks reaching a point where it will not be able to make any payment on its current year MMO *and* it will not have enough cash available to meet current obligations, including payroll. While the City received a one-time increase in State pension aid in 2011 that helps alleviate the short-term pressures, it does not fix the structural deficit.[7]

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[5] The City borrows money in the early part of each year so that it can pay its expenses until tax revenues are collected. This is common practice for Pennsylvania governments.

[6] This is the City's estimate. The Pennsylvania Department of the Auditor General will eventually calculate the final amount due.

[7] Municipalities recently learned that they will receive at least 50 percent more in State pension aid in 2011 than they received in 2010. This is a one-time increase caused by changes in how the Commonwealth Department of Revenue collects the tax revenue that funds pension aid. Commonwealth officials expect State pension aid to return to historic, pre-2011 levels next year absent any other changes.

2011 EIP: A place to start

This report provides a strategy for starting to address the projected deficit by making changes in workforce management, debt management, revenues and departmental operations other than public safety. The report reviews and makes recommendations for the City's Business Administration, Public Works and Economic and Community Development departments. The City has retained separate organizations to review the Police and Fire Departments. This report provides the same historical and baseline projections for Police and Fire that are presented for other departments, but it does not make any operational recommendations specific to those areas. The Fire chapter discusses the changes described in the City's "Strategic Plan for Fire Stations and Staffing" so that they may be understood in the context of the City's overall financial projections.

The strategy described in this report includes:

- **Controlling workforce costs:** Despite improvements since the initial EIP, the City must find a way to reduce the growth in what it spends on employee compensation. The first area for focus is employee health insurance costs that are growing at an unsustainable level. Two options for controlling those costs are changing the level of coverage provided and increasing employee contributions, which are still below the national average for state and local government employees. The City also needs to control the growth in how much it spends on employee wages, salary, overtime and other kinds of cash compensation. Given the size of the projected deficit, limited projected revenue growth, and the percentage of expenses related to employee compensation, the City will not successfully close its deficit unless it makes progress in this area. It will have to do so through collective bargaining, which is preferable, or unilaterally by eliminating positions. *Please see the Workforce Chapter for more information.*

- **Self-sustaining operations:** Certain City services, like the Bureau of Health and recreation programs, are funded primarily by revenues specific to those programs. They are generally presumed to "pay for themselves," either by service charges, dedicated property tax millages or grants specifically designated for that purpose. Despite the assumption that these programs are self-sustaining, some directly receive an additional subsidy from the General Fund. Other programs do not have an explicit budgeted transfer from the General Fund, but the City's financial records show the programs operating at a deficit, implying the City is using some alternate source to cover the difference.

  This is not a comment on the value of these programs. In a different financial situation, the City could decide to fund these programs with revenue from its tax base. In reality the City's tax base is not even strong enough to support those services that cannot pay for themselves, like police patrol and fire suppression. So those services that are assumed to pay for themselves need to do so. This report recommends the City phase out the tax supported subsidies for White Rose Community Television, Bureau of Health and the York City Ice Arena to focus tax revenues on "must have" services like police and fire. *Please see the Business Administration, Public Works and Economic and Community Development chapters for more information.*

- **Rethinking public works and parks:** As noted above, the City already uses fees and service charges to support some public works functions, like refuse collection and sewer treatment. The City should consider establishing new service charges to pay for other operations, like storm sewer and street maintenance, which are currently funded by the City's limited property tax base. The concept of charging all users, including those that are exempt from property taxes, for these services is more common outside of Pennsylvania. Considering the amount of tax-exempt property in York, it is worth pursuing here.

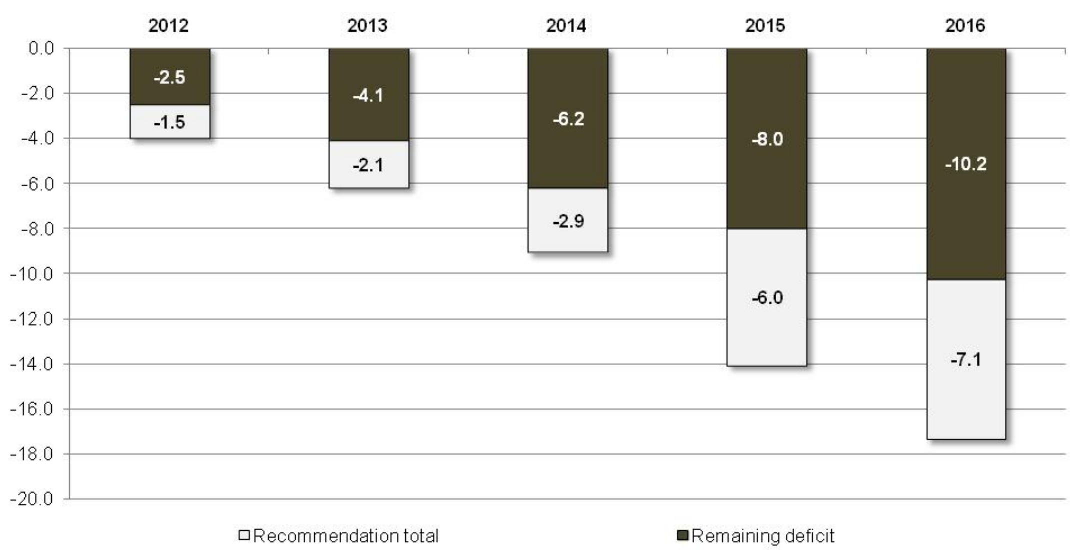
Similarly, the City already works cooperatively with its neighboring municipalities in specific areas, like traffic signal maintenance. There is potential for the City to cooperate more extensively with other governments in the region, if it can find willing partners. *Please see the Public Works chapter for more information.*

- **Targeting limited economic and community development resources:** The prolonged recession has already reduced Commonwealth funding for economic and community development and a reduction in federal Community Development Block Grant (CDBG) funding is expected. As resources become scarcer, the City will have to target their use, coordinate programs and monitor their effectiveness to get the most benefit possible – concepts that are already being put into place by the City's department leaders. *Please see the Economic and Community Development Chapter for more information.*

- **Revenue alternatives:** The City will need some kind of revenue growth to sustain critical services. One alternative is to levy the distressed pension earned income tax authorized by Commonwealth law, which would be in addition to the existing earned income tax. This new tax can be levied on residents and non-residents working in the City, allowing the City to expand its tax base for this specific purpose. This report describes this option with the understanding of its obvious drawback. Any new or increased tax or fee on City residents just adds to the existing burden and should only be considered as part of a comprehensive long-term solution, not a short-term fix. *Please see the Revenue chapter for more information.*

The City is unlikely to implement all of these initiatives. However, to give the reader a sense of magnitude, the revenue initiatives outlined in this Plan are worth $1.2 million in 2012, $3.6 million in 2015 and $11.2 million over five years. The expenditure initiatives, not including the recommended investments, are worth $198,000 in 2012, $2.2 million in 2015 and $7.3 million over five years. The self-sufficiency initiatives, which are a combination of increased program revenues and decreased program expenses, are worth $98,000 in 2012, $258,000 in 2015 and $1.0 million over five years. The total impact on the projected deficit is shown in the graph below. The initiatives would close $19.5 million, or 38.6 percent, of the projected $50.6 million deficit across all major funds for 2012-2016.

Initiative Impact on Projected Deficit



Conclusion: More is needed

To close the remaining deficit the City will need to take action beyond the recommendations in this report.

On the revenue side, York faces the same limitations as other Pennsylvania cities. It cannot increase the rates for taxes that are already at the maximum allowed by Commonwealth law. The City has the authority to increase its property tax with the understanding that the combined property tax millage for City residents is already higher than anywhere else in the County. The City could also explore more complicated moves, like selling or leasing its assets to other entities. Much more analysis is necessary before the City could evaluate the viability, benefits and drawbacks of such a sale. Plus any move that generates a large, one-time payment will not address the fundamental imbalance between what the City collects and what it spends on a recurring basis.

Even if the City does generate more revenue, it will have to take further steps than those outlined in this report to reduce, or control the growth of, expenditures. Usually this report would recommend more initiatives to achieve that goal. Because the City has separate organizations reviewing Police and Fire operations, which are the two largest departments, this report does not make any operational recommendations in those areas. Practically speaking, it will be very difficult for the City to balance its budget without making changes to the Police and Fire Departments. As sensitive and critical as their services are, they account for the majority of the City's operating budget. The projected deficit is so large that the City is not likely to close it by only making cuts and changes in other departments.

Some cuts in service, whether in public safety or elsewhere, are inevitable for the City to close its deficit. City leaders will have to lead the community, City employees, businesses and other stakeholders in a discussion of which services are most critical and how to scale them to a level the City can afford. As difficult as that discussion will be, it is imperative for the City to begin it now. Any delay in doing so will make it even harder to bring the City's finances into balance and could eventually imperil the City's ability to continue providing critical services. To its credit, the City has reacted to the information provided by PFM as this report was written, and combined it with its own ongoing self-assessment to begin this dialogue.

Introduction

The City of York is located in south-central Pennsylvania approximately 17 miles north of the historic Mason-Dixon Line and is the seat of York County. The City, which constitutes the largest municipality in the York-Hanover Standard Metropolitan Statistical Area (MSA), is home to 43,718 people according to the 2010 Census. Laid out in 1741, York was briefly home to the Second Continental Congress and became the first capital of the United States when the session adopted the Articles of Confederation.

With its strategic location at the intersection of Interstate 83 and US Route 30, the City has long served as an economic anchor for York County and a center of trade for almost 435,000 County residents. While serving as a marketplace for the prime farmland in neighboring townships, York City continues to be centered on manufacturing. York's industrial heritage includes the production of products as diverse as automobiles, steam engines, turbines, farm implements, pottery and refrigeration machinery.

The York region is home to a diverse variety of large- and medium-sized employers. In the downtown area, government and financial organizations employ a large number of individuals. As of 2009, York Hospital was the top employer in the City and County with over 7,400 employees. Federal and County government also employ a large number of people in the County, with approximately 3,400 and 2,500 employees respectively. Several of the region's largest private sector employers are located outside the City. The table below shows York County's top employers as of the third quarter of 2010 and whether they have any sites located within the City. Employers located outside the City still contribute to its financial vitality by employing City residents and generating spin-off economic activity, but they do not pay location based taxes to the City, such as property, mercantile or business privilege taxes.

10 Largest Employers in York County

Rank	Employer	Any site in City?
1	York Hospital	Yes
2	Federal government	Yes
3	York County local government	Yes
4	Wal-Mart Associates, Inc.	No
5	Giant Food Stores, LLC	No
6	BAE Systems	No
7	Harley-Davidson Motor Company	No
8	Kinsley Construction, Inc.	Yes
9	UTZ Quality Foods, Inc.	No
10	Wellspan Medical Group	Yes

Source: Pennsylvania Center for Workforce Information and Analysis; as of Q3 2010

The City is home to several major visitor attractions, including the Colonial Complex, the Strand-Capitol Performing Arts Center and the Fire Museum. The City has its own minor league baseball team, the York Revolution, who play in the recently constructed Sovereign Bank Stadium, which also hosts concerts and other events.

Population Trends

Like many comparable cities in Pennsylvania, York has experienced significant population decline in recent decades, although the trend reversed in this century. The 2010 census put the City's population at 43,718, a decrease of 19.8 percent from the 1960 census count of 54,504 (see Figure 1 on the next page). After two decades of rapid population reductions from 1960 to 1980, the City's population decline slowed and by the 2010 Census the total population increased by 2,829 from its 2000 count. As the following table shows, York's population losses since 1960 are less than the median and average losses among the large Pennsylvania cities surveyed. The City had the third largest population increase from 2000 to 2010 among the 13 comparable cities and was one of seven comparable cities to show positive population growth during the last decade.

However, the City's population growth from 2000 to 2010 was below the average and median levels of other York County municipalities. Figure 2 shows the relative position of York's population growth among other York County municipalities from 2000-2010.

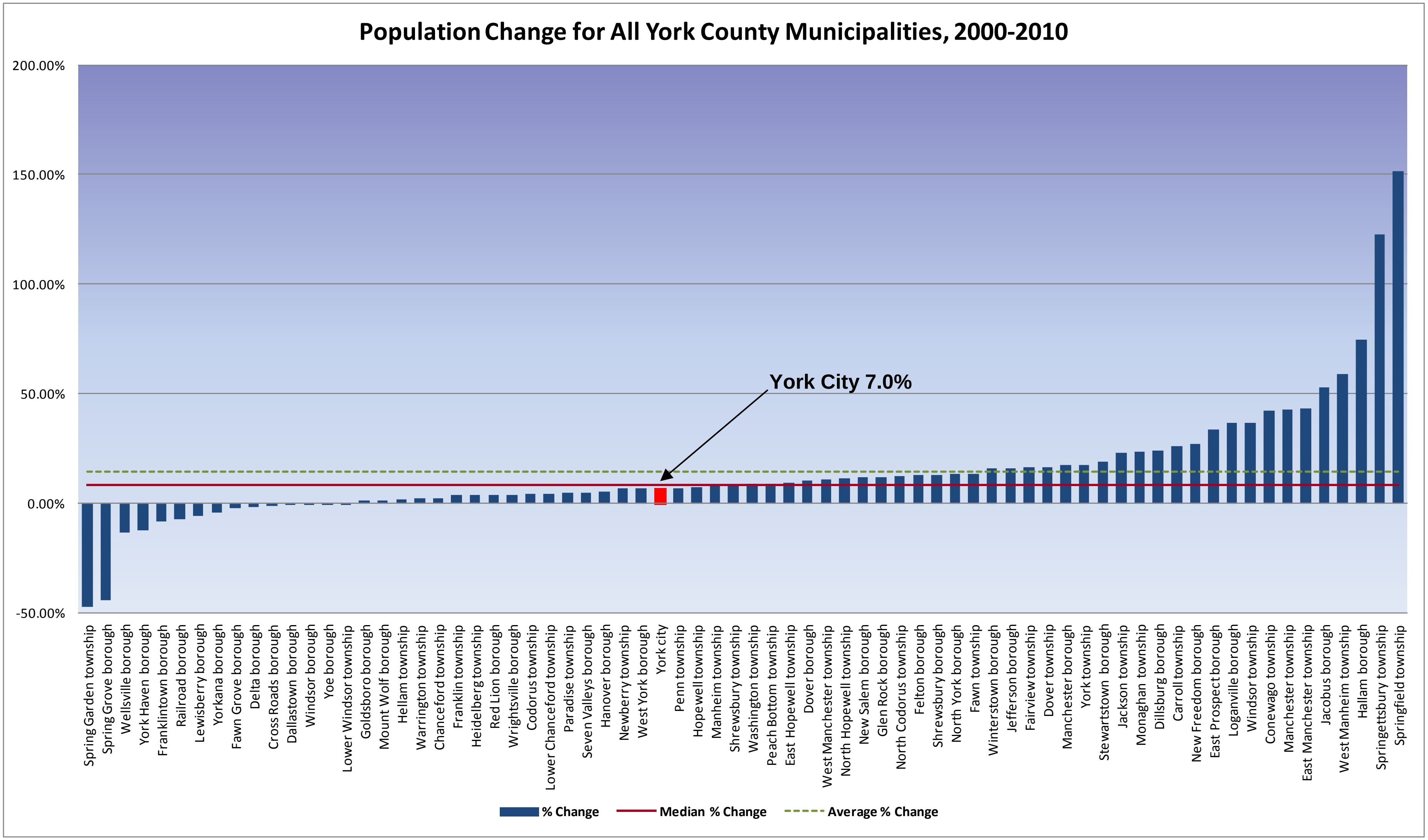
The City's population reductions since 1960 are anomalous when considered in the context of regional demographic and economic patterns. As shown in Figures 3 and 4, York and south-central Pennsylvania are located in an area that has been undergoing substantial population growth over several decades. While the City experienced population growth in the last decade, its population declines from 1960-2010 indicate a significant difference in population trends between the City and its surrounding counties. Nonetheless, the City of York's population pattern indicates greater stability than comparable central and western Pennsylvania cities.

Figure 1: Large Pennsylvania Cities: Population Trends

Place Name	State	Primary County	2010 Population	2000 Population	1990 Population	1980 Population	1970 Population	1960 Population	2000-2010 % Change in Pop.	1990-2010 % Change in Pop.	1960-2010 % Change in Pop.
Commonwealth of Pennsylvania			12,702,379	12,281,054	11,881,643	11,863,895	11,793,909	11,319,366	3.4%	6.9%	12.2%
York	**PA**	**York**	**43,718**	**40,889**	**42,192**	**44,619**	**50,335**	**54,504**	**6.9%**	**3.6%**	**-19.8%**
Allentown	PA	Lehigh	118,032	106,632	105,090	103,758	109,871	108,347	10.7%	12.3%	8.9%
Altoona	PA	Blair	46,320	49,525	51,881	57,078	63,115	69,407	-6.5%	-10.7%	-33.3%
Bethlehem	PA	Northampton	74,982	71,329	71,428	70,419	72,686	75,408	5.1%	5.0%	-0.6%
Chester	PA	Delaware	33,972	36,854	41,856	45,794	56,331	65,658	-7.8%	-18.8%	-48.3%
Easton	PA	Northampton	26,800	31,955	29,450	26,027	26,276	26,263	-16.1%	-9.0%	2.0%
Erie	PA	Erie	101,786	103,725	108,718	119,123	129,265	138,440	-1.9%	-6.4%	-26.5%
Harrisburg	PA	Dauphin	49,528	49,100	52,376	53,264	68,061	79,697	0.9%	-5.4%	-37.9%
Lancaster	PA	Lancaster	59,322	56,347	55,551	54,725	57,690	61,055	5.3%	6.8%	-2.8%
Philadelphia	PA	Philadelphia	1,526,006	1,517,550	1,585,577	1,688,210	1,948,609	2,002,512	0.6%	-3.8%	-23.8%
Pittsburgh	PA	Allegheny	305,704	334,563	369,879	423,938	520,117	604,332	-8.6%	-17.4%	-49.4%
Reading	PA	Berks	88,082	81,201	78,380	78,686	87,643	98,177	8.5%	12.4%	-10.3%
Scranton	PA	Lackawanna	76,089	76,415	81,805	88,117	102,696	111,443	-0.4%	-7.0%	-31.7%
Wilkes-Barre	PA	Luzerne	41,498	43,123	47,523	51,551	58,856	63,551	-3.8%	-12.7%	-34.7%
PA Large Cities (>35k) Median			74,982	71,329	71,428	70,419	72,686	79,697	-0.4%	-6.4%	-26.5%
PA Large Cities (>35k) Average			196,009	196,794	206,116	220,053	253,940	269,561	-1.1%	-4.2%	-22.2%
Variance From York (Median)			31,264	30,440	29,236	25,800	22,351	25,193	7.3%	10.0%	6.7%
Variance From York (Average)			152,291	155,905	163,924	175,434	203,605	215,057	8.0%	7.8%	2.4%

Source: U.S. Department of Commerce, Bureau of the Census
Note: The City of Easton has fewer than 35,000 residents but is included for reference.

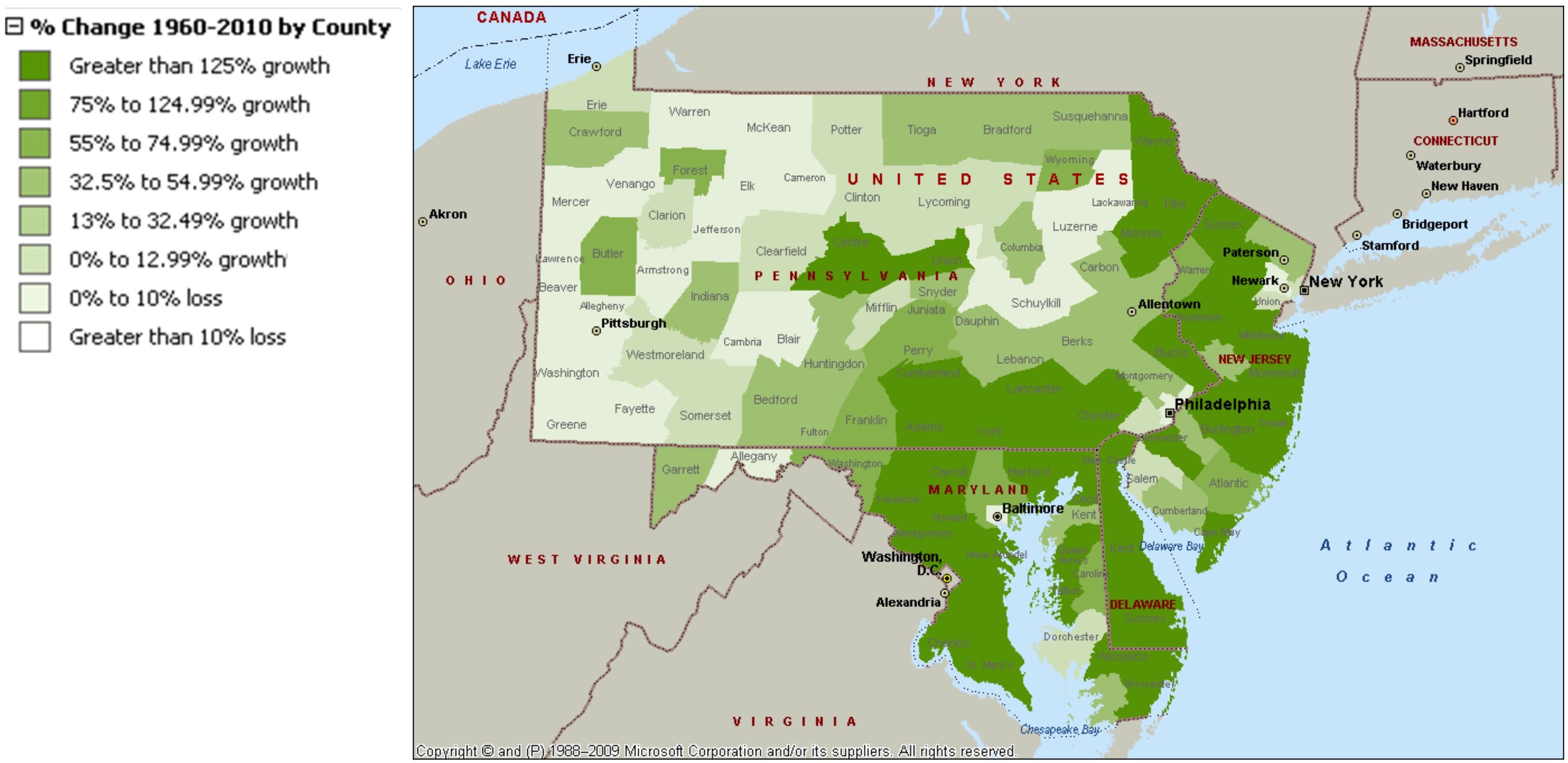
Figure 2



Source: U.S. Department of Commerce, Bureau of the Census

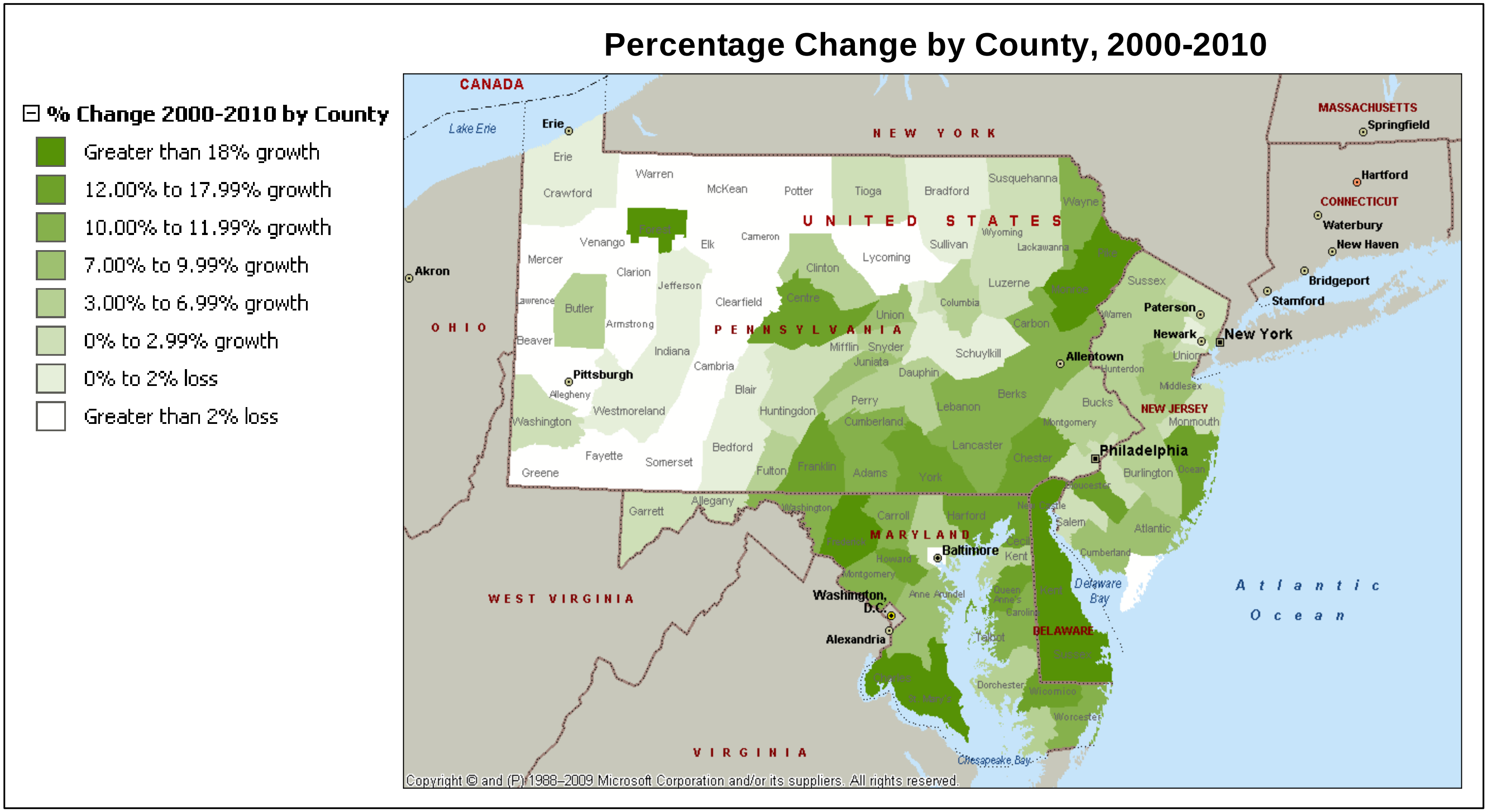
Figure 3

Percentage Change by County, 1960-2010



Source: U.S. Department of Commerce, Bureau of the Census

Figure 4



Source: U.S. Department of Commerce, Bureau of the Census

Income and wealth

Based on indices of income and wealth, the City lags behind large Pennsylvania cities and the Commonwealth as a whole. As shown below, the City's ten-year growth in three key measures – median household income, per capita income and median home value – have been below the average and median of comparable large Pennsylvania cities and well below the Commonwealth's average from 1999 to 2009 (the most recent period for which this information is available).

Large Pennsylvania Cities: Income Measures

Place Name	State	Primary County	1999 Median Household Income	2009 Median Household Income	1999 Per Capita Income	2009 Per Capita Income	1999 Median Home Value	2009 Median Home Value	10 Year Change- Median Household Income	10 Year Change- Per Capita Income	10 Year Change- Median Home Value
Commonwealth of Pennsylvania			**$40,106**	**$49,520**	**$20,880**	**$26,739**	**$94,800**	**$164,700**	**23.5%**	**28.1%**	**73.7%**
York	**PA**	**York**	**$26,475**	**$29,223**	**$13,439**	**$14,639**	**$56,500**	**$73,300**	**10.4%**	**8.9%**	**29.7%**
Allentown	PA	Lehigh	$32,016	$33,664	$16,282	$16,861	$77,000	$143,600	5.1%	3.6%	86.5%
Altoona	PA	Blair	$28,248	$33,623	$15,213	$18,272	$57,600	$77,100	19.0%	20.1%	33.9%
Bethlehem	PA	Northampton	$35,815	$42,927	$18,987	$20,832	$97,100	$172,900	19.9%	9.7%	78.1%
Chester	PA	Delaware	$25,703	$24,978	$13,052	$13,276	$43,300	$64,000	-2.8%	1.7%	47.8%
Easton	PA	Northampton	$33,162	$39,979	$15,949	$18,161	$77,500	$132,800	20.6%	13.9%	71.4%
Erie	PA	Erie	$28,387	$32,136	$14,972	$19,223	$64,700	$83,400	13.2%	28.4%	28.9%
Harrisburg	PA	Dauphin	$26,920	$31,676	$15,787	$18,372	$56,900	$77,400	17.7%	16.4%	36.0%
Lancaster	PA	Lancaster	$29,770	$32,845	$13,955	$15,936	$71,900	$91,900	10.3%	14.2%	27.8%
Philadelphia	PA	Philadelphia	$30,746	$37,045	$16,509	$21,661	$61,000	$150,000	20.5%	31.2%	145.9%
Pittsburgh	PA	Allegheny	$28,588	$37,461	$18,816	$25,109	$60,700	$92,500	31.0%	33.4%	52.4%
Reading	PA	Berks	$26,698	$28,597	$13,086	$12,421	$45,000	$70,800	7.1%	-5.1%	57.3%
Scranton	PA	Lackawanna	$28,805	$38,774	$16,174	$20,095	$78,400	$110,700	34.6%	24.2%	41.2%
Wilkes-Barre	PA	Luzerne	$26,711	$28,699	$15,050	$17,171	$65,500	$74,700	7.4%	14.1%	14.0%
PA Large Cities (>35k) Median			$28,588	$33,623	$15,787	$18,272	$64,700	$91,900	17.7%	14.2%	47.8%
PA Large Cities (>35k) Average			$29,351	$34,031	$15,679	$18,261	$65,892	$103,215	15.7%	15.8%	55.5%
Variance From York (Median)			$2,113	$4,400	$2,348	$3,633	$8,200	$18,600	7.3%	5.3%	18.1%
Variance From York (Average)			$2,876	$4,808	$2,240	$3,622	$9,392	$29,915	5.3%	6.9%	25.7%

Source: U.S. Department of Commerce, Bureau of the Census
Note: The City of Easton has fewer than 35,000 residents but is included for reference.

York's median household income was $29,223 in 2009, below the averages for both large Pennsylvania cities and the Commonwealth. At 10.4%, the City's median household income growth rate between 1999 and 2009 was also significantly below the peer cities and statewide growth rate of 15.7 percent and 23.5 percent respectively.

York's 2009 per capita income of $14,639 is below that of other large Pennsylvania cities and statewide averages. Similarly, the per capita income growth rate of 8.9 percent was below the statewide average growth rate of 28.1 percent and the large Pennsylvania city average of 15.8 percent.

The 2009 median home value in York was lower than all but two of the comparable cities. York's 29.7 percent ten-year increase from 1999 to 2009 was significantly below the peer city median (47.8 percent) and mean (55.5 percent) and lagged far behind the average statewide growth rate (73.7 percent).

York City and York County: Income Measures

	1999 Median Household Income	2009 Median Household Income	1999 Per Capita Income	2009 Per Capita Income	1999 Median Home Value	2009 Median Home Value	10 Year Change- Median Household Income	10 Year Change- Per Capita Income	10 Year Change- Median Home Value
York City	$26,475	$29,223	$13,439	$14,639	$56,500	$73,300	10.4%	8.9%	29.7%
York County	$45,268	$56,271	$21,086	$26,724	$108,200	$166,300	24.3%	26.7%	53.7%

Source: U.S. Department of Commerce, Bureau of the Census

When compared to York County, the City also lags behind the County averages for median household income, per capita income and median home value. The 2009 median household income for the City was $29,223 while the County's median household income was almost double that at $56,271. Although the City's ten-year change from 1999 to 2009 has been positive for all three economic measures, the City has grown at a rate significantly slower than the County.

Additionally, the City's poverty rate is significantly greater than that of the County. In 2009, the City's poverty rate was 32.3 percent, well-above the County's rate of 8.4 percent. The City's poverty rate has also risen faster than the County's within the last ten years. From 1999 to 2009, the City saw a 35.9 percent increase in its poverty rate while the County's poverty rate increased by 25.1 percent.[8]

Demographic trends are relevant to this multi-year plan because they describe changes in the population that depends on and pays for the services City government provides. In general, the City's population is growing at a faster rate than other comparable Commonwealth cities. However, the City's economic performance lags behind comparable Pennsylvania cities, the County and the State. The measures cited above focus on changes in income and property values, which are the sources for York's two largest locally generated revenues, the earned income (or wage) tax and the property (or real estate) tax. The sluggish growth is incorporated in the financial projections described below.

From trends to projections: Budget model overview

To provide a better understanding of the City's financial challenges, PFM built a multi-year budget model that projects the City's revenues, expenditures and resulting financial results through FY2016. The model uses detailed, historic information and management insight to produce a baseline financial projection. The baseline shows what the City's financial results are likely to be in the future based on current information if the City does not make any changes to its tax rates or

[8] U.S. Department of Commerce, Bureau of the Census

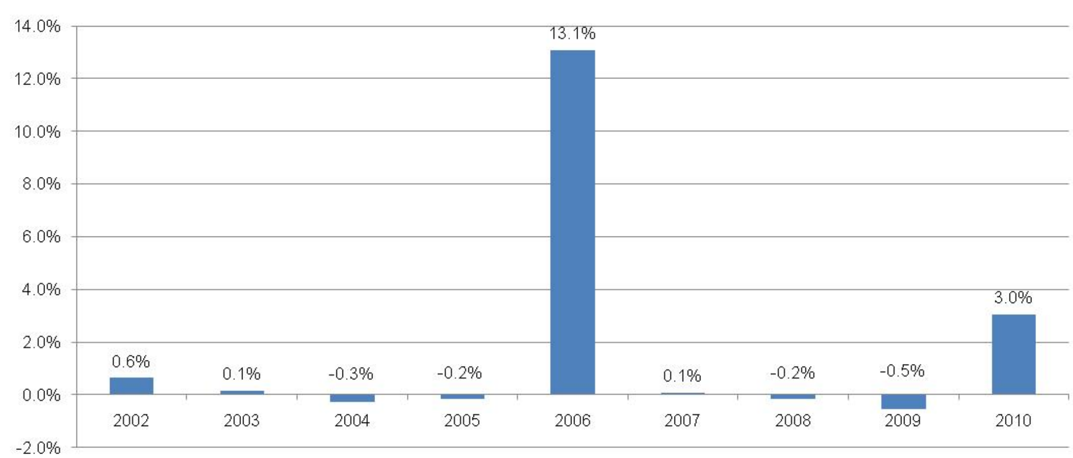
service levels. With that baseline projection in place, City officials and the public have better information to consider their options for addressing the projected deficit.

PFM initially built York's budget projection model during the first phase of the City's Early Intervention Plan work in 2006. The model has been updated several times since then so that it contains actual results for 2001 through 2009 and estimated results for 2010. Based on that historical information, interviews with City officials and the socioeconomic factors described earlier in this chapter, we have calculated annual growth rates that project how the City's revenues and expenses will change going forward. In general, PFM uses prudent, modestly conservative assumptions. This allows the City to benefit from better-than-anticipated results rather than depending on them to maintain fiscal health.

Those growth rates are then applied to the City's FY2011 budget to produce the baseline financial projections presented throughout the Plan. The major growth rate assumptions are detailed below with a full listing in the Plan appendix:

- No natural growth in property tax revenues through 2016. Natural growth comes from rising property values, not tax rate increases or countywide reassessment. The total assessed value of property in the City has remained relatively flat since 2002 (see graph below). Countywide reassessment in 2006 accounts for the aberration in that year, but it is unlikely that the County will conduct another reassessment before 2016. The 3.0 percent increase in 2010 was caused by the expiration of tax exemption or abatement benefits that City properties within the designated Keystone Opportunity Zones (KOZs) received previously. The remaining KOZs in York County are outside the City so this is a one-time increase. Please see the Revenue Chapter for more information.

Changes in Assessed Value, 2002-2010



- 1.0 percent growth in all other tax revenues in 2012, rising to 2.3 percent in 2015 and 2016. This covers the City's other major tax revenues including the earned income tax, local service tax and parking tax;

- 0.0 – 1.0 percent annual growth in other revenue categories (i.e. charges for service, fines, grants);

- Annual salary and wage growth of 2.58 percent. This is a weighted average that takes into account the City's existing collective bargaining agreements. The 2.58 percent average is projected to continue throughout the projection period, even though the collective bargaining agreements expire before 2016.

- 12.0 percent annual growth in employee health care costs;
- 9.3 percent annual growth in vehicle fuel costs; and
- An inflationary growth rate of 2.3 percent for most other expenditure categories.

Two other critical expenses are projected differently. The City's annual minimum contribution to its employee pension fund is projected to remain level through 2014 at the $5.8 million budgeted for 2011. The City is currently paying 75 percent of its Minimum Municipal Obligation (MMO) under the relief provided by the General Assembly under Act 44 of 2009. Because the City's pensions are considered "level two distressed" under that law, the City may pay the lower percentage of its MMO until 2015, at which point it will have to pay 100 percent of the MMO, or an estimated $7.8 million per year. In addition to the baseline $5.8 million annual pension contribution in 2012, the City will have to make a one-time interest payment of $496,000[9] because the City paid $2.2 million of its 2010 MMO contribution after 2010 ended. The City's actuary is currently preparing a new valuation for the City's pension funds and that valuation may result in the City paying a smaller MMO as soon as 2012. This report uses the $5.8 million figure since it is the most recent available at the time of projection. These projections and the City's pension funds are discussed in more detail in the Workforce chapter.

The City's debt service – principal and interest payments for previously-issued bonds and loans – is established by specific "debt schedules" that show how much the City will pay each year on its obligations. At the time of publication the City intends to issue a new bond in 2011 that would enable it to do the following:

- Finance new capital projects, including relocation of City operations and administration to a new headquarters on North George Street;
- Pay off the Ice Rink Sinking Fund Debt, transferring those obligations to the 2011 bond issue;

This report assumes the 2011 bond issuance will be $20 million. At the time of publication, the City was calculating the final amount that it would issue. This bond issuance is described in more detail in the Plan's Debt Service chapter. The City's existing debt service schedule, inclusive of these projected changes, is incorporated in the baseline financial projection.

Finally, while past performance is a useful indicator for projecting future results, there are "one-time" revenues, expenses and other known changes that must be removed from the baseline to generate more accurate financial projections. Those include the following:

- Reduce General Fund intergovernmental revenues by $5 million in 2012 to account for the one-time impact of the $5 million Redevelopment Assistance Capital Program (RACP) grant that the City anticipates receiving from the Commonwealth in 2011;
- Further reduce General Fund intergovernmental revenues by $255,000 in 2014 to account for the scheduled expiration of the federal Community Oriented Policing Services (COPS) grant;
- Eliminate the General Authority's $820,000 debt service contribution to the City's 1998 Bond Issue Sinking Fund after 2011, which is the last year for that arrangement;[10] and

[9] This is the City's estimate of the interest due. The final number amount owed by the City will be determined by the Pennsylvania Department of the Auditor General.

[10] Please see the Parking Bureau section in the Business Administration chapter for more information on this contribution.

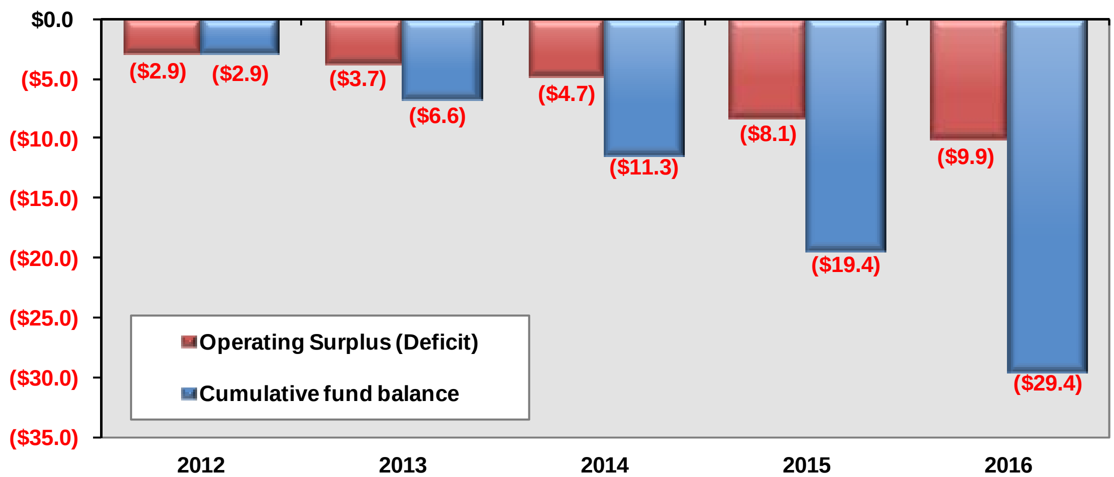
- Remove all revenue and expenditures from the 2002 Bond Issue Sinking Fund after debt service on that bond is paid off in 2013.

Baseline projections

The City's external audit for FY2009 shows York's General Fund ending that year with a negative fund balance of $1,021,098.[11] The estimated 2010 results show an additional $2.73 million operating deficit, which left the City with a cumulative negative fund balance of $3.75 million to start FY2011. The FY2011 budget projects a $3.75 million positive operating result for this year. If the 2011 results match the budget, the City would enter FY2012 with a cumulative fund balance close to $0. Any significant negative changes could swing the City's operating result negative again in 2011 and deepen the cumulative negative fund balance.

The budget projection model generates the baseline projection for FY2012 through FY2016 as shown in the graph and table below. Absent corrective action, the City will have a $2.9 million operating deficit beginning in 2012. Slow revenue growth coupled with increasing wage and employee benefit costs increase the projected deficit in future years. The projected increase in the City's pension obligations exacerbates the problem in 2015. Assuming the City achieves a positive $3.75 million operating result in FY2011, the cumulative fund balance deficit is still $29.4 million in FY2016 compared to General Fund revenues of $40.3 million.

Baseline Financial Projection – General Fund (Millions)



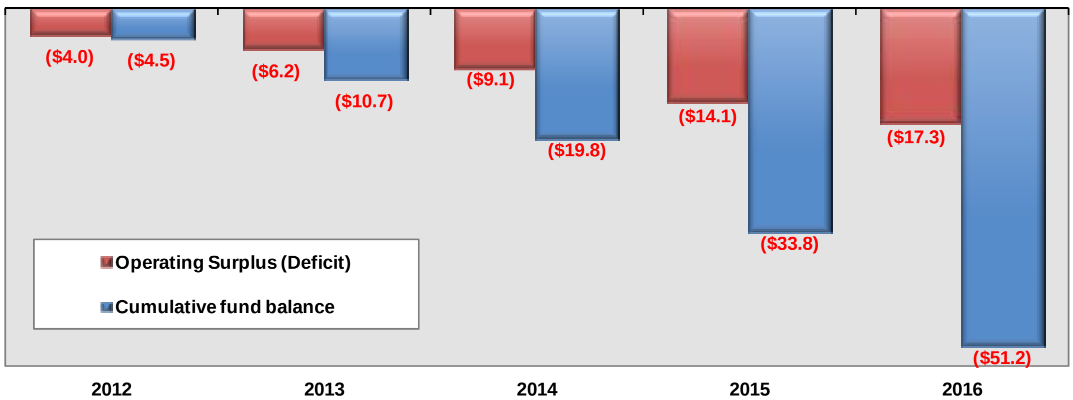
	2009 Actual	2010 Estimated	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Revenues		34,467,785	43,839,026	39,114,201	39,268,233	39,826,204	40,067,055	40,312,244
Expenditures		37,199,274	40,089,458	41,985,202	42,967,556	44,555,886	48,212,226	50,231,635
Operating surplus (deficit)		(2,731,489)	3,749,568	(2,871,000)	(3,699,323)	(4,729,682)	(8,145,172)	(9,919,391)
Cumulative fund balance	(1,021,098)	(3,752,587)	(3,019)	(2,874,019)	(6,573,342)	(11,303,024)	(19,448,196)	(29,367,586)

As bleak as these projections are, they do not reflect the true severity of the City's financial situation. The previous graphs address only the General Fund and the City finances several operations outside of that fund. For example, the City pays debt service out of several sinking funds specifically dedicated to that purpose. The City pays for employee health insurance out of its Internal Service Fund. Some recreation activities are supported by a separate Recreation

[11] City of York, Pennsylvania, Annual Financial Report. Year ended December 31, 2009. Page 7

Fund. Once the revenues and expenses in these other major funds are totaled,[12] the City had an estimated cumulative fund balance deficit of $916,000 at the end of FY2009 rising to $3.55 million at the end of FY2010. Across these major funds, the FY2011 budget has a $3.0 million positive result. That would not be enough to erase the major funds deficit of $3.55 million entering FY2011. The subsequent baseline financial projection shows a deficit of $4.0 million in FY2012 rising to $17.3 million in FY2016 and a cumulative fund balance shortfall of over $51 million by 2016. The Debt Service, Internal Service and Recreation Funds are described in more detail in the appropriate Plan chapters.

Baseline Financial Projection – Major Funds (Millions)



	2009 Actual	2010 Estimated	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Revenues		51,948,920	83,757,220	58,808,714	58,977,746	58,893,723	59,149,875	59,410,520
Expenditures		54,586,970	80,735,701	62,584,097	65,347,900	68,264,027	73,503,310	77,035,267
Operating surplus (deficit)		(2,638,049)	3,021,518	(3,996,973)	(6,184,921)	(9,062,548)	(14,060,529)	(17,325,431)
Cumulative fund balance	(915,997)	(3,554,046)	(532,528)	(4,529,501)	(10,714,422)	(19,776,970)	(33,837,499)	(51,162,931)

[12] The following funds are included in this analysis – General, Internal Service, Recreation, Ice Rink (for operating expenses), Ice Rink Sinking (for debt service expenses) and Bond Issue Sinking Funds for 1995, 1998, 2002 and 2011. Other funds related to the City's enterprise activities (wastewater) and certain community development activities supported by federal grants are not included here.

Debt Service

This chapter describes York's outstanding debt and identifies areas where changes may provide budget relief or improve overall financial management. The strategies described here will position the City to achieve the following:

- **Reduce the cost of the existing debt burden:** By monitoring market conditions for refunding opportunities, the City can achieve savings and reduce the cost of its existing debt.

- **Maintain capacity to continue debt issuance:** Since long-term debt is repaid in the City's annual budgets, debt structure affects the City's operating budget now and well into the future. During the term of this multi-year plan, the City intends to issue new debt to fund the acquisition of a new City Hall, refund older bonds and complete other capital projects.

- **Improve the City's Credit Rating:** The City's bond rating was downgraded from BBB+ to BBB by Standard & Poor's (S&P) in April 2010. S&P cited York's "limited local economy, centered on manufacturing, and high unemployment; stagnant property tax base with low wealth and income levels; and high overall debt burden as a percent of a limited property tax base" as an explanation for the lower rating.[13] Moody's Investor Service (Moody's) awarded York a similar rating of Baa1 in April 2010.[14] While these ratings signal that the City's credit remains investment grade, they also indicate that York is judged to be at a higher risk for non-repayment of debt. As a result, the City has to pay more to issue the debt it needs for its capital projects. Over the next several years, the City should work to improve its ratings to lower its capital costs and send a clear signal of financial health and managerial competence to potential bondholders.

Just as this chapter is part of a larger multi-year plan, the City's debt service exists within the broader context of its overall financial condition. The tax base which supports City debt service is the same base from which the City finances basic public services, such as public safety and public works. If the City increases its spending on debt service and the tax base does not grow, it will either have less money to spend on daily services or have to find ways to generate more revenue. As an additional complication, the City has been running an operating deficit and is projected to continue to do so absent corrective action through 2016, creating an even greater need to achieve the objectives described above. Finally, debt is one of several tools the City can use to fund its long-term infrastructure investments, and this chapter should be reviewed in the context of those capital needs.

Debt Service Existing Through 2010

York has two types of debt outstanding: general obligation (GO) debt and guaranteed revenue debt (revenue bonds).

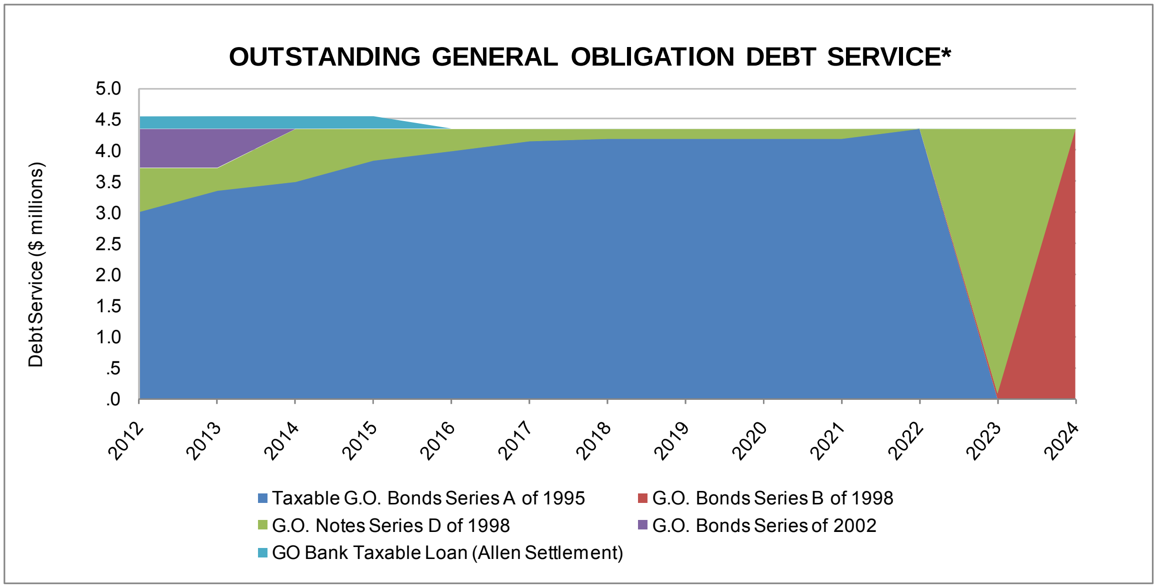
GO debt is secured by the pledge of the City's full faith, credit and taxing power, meaning the City has guaranteed to the debt holders that it will increase taxes to whatever rates are necessary to make principal and interest payments on schedule. York's outstanding GO debt as of December 31, 2012 is $57.2 million. The remaining debt service payments on this amount from December 2012 through 2024, including principal and interest, are approximately $57.3[15] million in annual

[13] Standard & Poor's. "York City Sewer Authority, Pennsylvania York; General Obligation; General Obligation Equivalent Security." August 31,2010

[14] Moody's Investors Service. Rate effective April 2010

[15] The principal amount for three of the five existing GO bonds incorporates the yield at maturity because these bonds are capital appreciation bonds, capital appreciation notes and compound interest bonds.

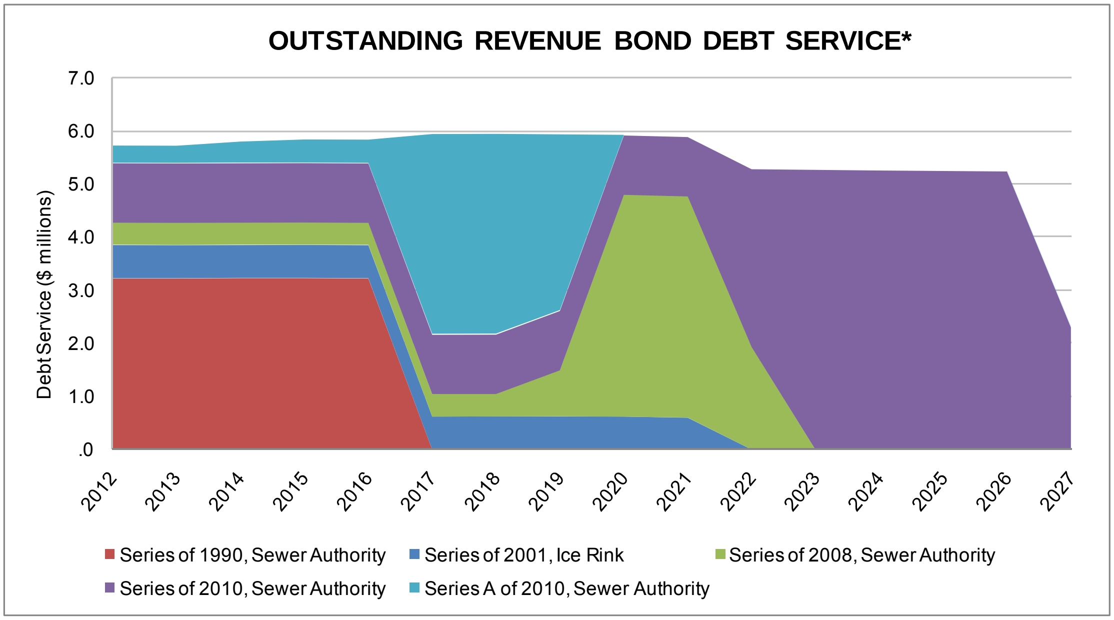
payments of about $4.5 million between 2012 and 2015 and $4.35 million between 2016 and 2024. As shown in the table below, York maintains a relatively level GO debt structure. Between 2012 and 2024, annual debt payments fluctuate by no more than $5,000 annually, with the exception of a $193,000 decrease in 2016. This structure is helpful for maintaining budgetary consistency from year to year.



*Debt service includes principal and interest

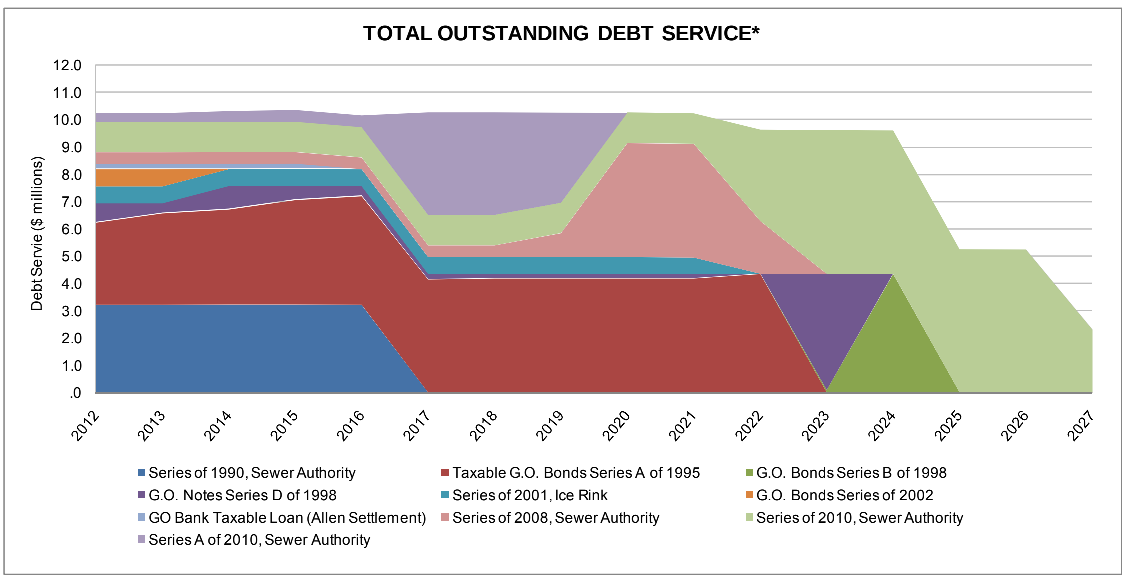
In contrast, revenue bonds are secured by the associated revenues. Typically, the holders of revenue bonds, in the event of a failure to pay, have recourse only to the funds generated by the associated revenues. The City of York, however, has guaranteed all outstanding revenue bonds, backing those bonds with the full faith and credit of the City. Both the York City Sewer Authority and the York City Recreation Corporation (YCRC) have issued revenue bonds for the City. In 2003, YCRC was unable to make its November interest payment. The Corporation defaulted on the debt, causing the City to take full responsibility for paying the debt and maintaining the associated asset, the York City Ice Arena. The ice arena is now owned by the City, which uses real estate taxes, ice arena revenues and transfers from the Recreation Fund to make annual payments on the 2001 revenue bonds.

Including the ice arena debt, the City will have guaranteed about $51.8 million in outstanding revenue debt as of December 2012, the majority of which is related to sewer projects and maintenance. The remaining debt service payments on this amount from December 2012 through 2027, including principal and interest, are approximately $87.1 million. Unlike the GO debt, York's guaranteed revenue bond debt is not level. From 2012 to 2020, annual revenue bond debt service payments increase from about $5.7 million to $5.9 million. In 2021 annual payments begin to decrease until all bonds are fully paid in 2027. The guaranteed revenue debt structure is shown below.



*Debt service includes principal and interest

Combining GO and revenue debt, the City's guaranteed total debt service is shown below. It remains relatively level through 2020 and then has significant reductions in 2022, 2025 and 2027.



*Debt service includes principal and interest

It is also important to note that under the current debt service structure, York will retire 77.2 percent of its existing GO principal by December 31, 2021[16]. This is a rapid amortization schedule according to S&P, which stated in a January 2011 criteria report that it considers "the benchmark of 50 percent of principal repaid in 10 years to be average."[17] York's faster maturity schedule can be advantageous as it reduces the amount of interest paid. Since the rating agencies consider this ratio when analyzing municipal credits, the City should consider it when structuring future bond issues.

[16] The principal amount for three of the five existing GO bonds incorporates the yield at maturity because these bonds are capital appreciation bonds, capital appreciation notes and compound interest bonds.

[17] Standard and Poor's. "Criteria | Governments | U.S. Public Finance: U.S. State Ratings Methodology." January 3, 2011

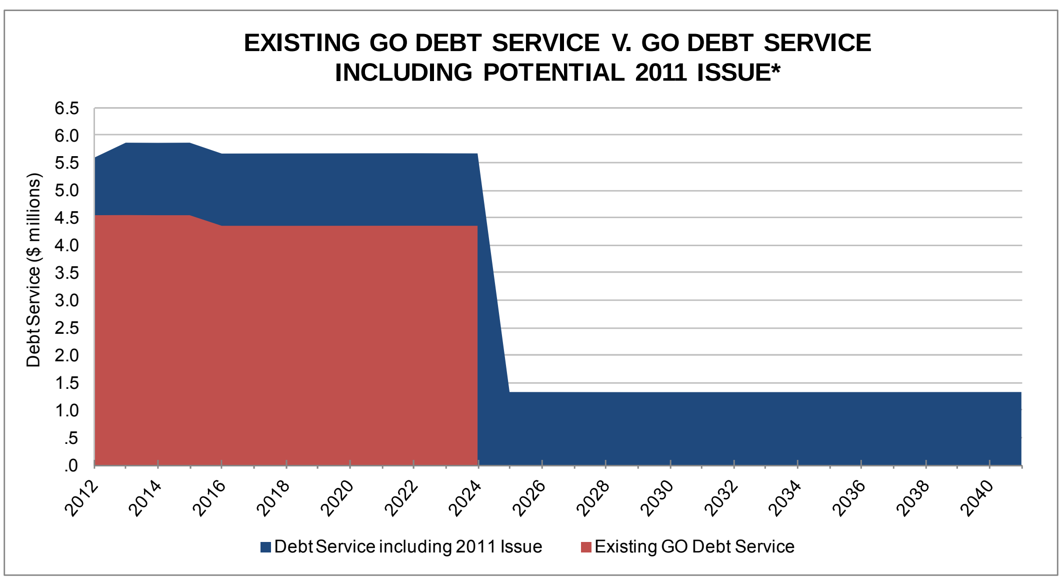
New Debt Issuance in 2011

The City is planning to issue additional debt in 2011 to complete capital projects potentially including:

- Converting the current City Hall (55 West King Street) to a police station;
- Funding the acquisition and conversion of 101 South George Street into a new City Hall for all non-public safety city government functions;
- Renovating and repairing community centers;
- Refinancing existing 2001 Ice Arena debt;
- Paying off the short term notes issued in 2010; and
- Financing the construction of a new fire station pursuant to the strategy in the recently-completed fire study.

The City initially expected to issue an $18.5 million bond to fund many of these projects in 2010.[18] Instead, given the short timeframe in which City Hall renovations were slated to begin, York decided to issue two short-term notes totaling $14.0 million. These notes mature December 31, 2011 and will be paid off by a General Obligation issue that will also support the other projects listed above. The additional projects and the refunding of the 2001 Ice Arena bonds would increase the anticipated 2011 debt issue to an estimated $23.0 million. At time of publication the City was revising the final list of projects that will determine the actual amount of bonds issued in 2011.

Whatever the amount, issuing this bond will increase York's overall debt burden and alter significant ratios used to evaluate the City's fiscal health by rating agencies. The graph below depicts the change in York's GO debt if a $20 million, 30-year bond is issued in late 2011 with the first payments beginning in 2012. These amounts serve as a proxy as the actual bond size and structure have not yet been determined.



*Debt service includes principal and interest

[18] The ice rink and parking system debt objectives were not included at that time.

The 2011 proxy bond issue is projected to increase overall outstanding GO debt service, including principal and interest, by $39.6 million (or 69.1 percent). Annual payments between 2012 and 2041, when the new 30-year bond expires, would increase by approximately $1.3 million, reaching a maximum annual payment of $5.9 million in 2013. This approximately 30.2 percent increase in annual payments between 2013 and 2024 could present a significant budgeting challenge and require expenditure cuts and/or millage increases. The 2011 issue would also extend GO obligations to 2041, 17 years beyond 2024, the year the City's existing GO debt expires.

In addition to the effects the bond issue will have on the City's operating budget, the 2011 issue will also impact important ratios used to evaluate the City's fiscal health by rating agencies. This new bond issuance would change York's amortization schedule to retire only 62.2 percent of its GO principal by December 31, 2021, as compared to the City's existing ratio of 77.2 percent. According to S&P guidelines, this is still considered a rapid amortization schedule but less so than under York's existing schedule.

Additionally, another criterion reviewed by bond rating agencies is the percentage of General Fund and Debt Fund expenditures allocated to principal and interest payments for outstanding GO debt. According to S&P this is an "important indicator, as it indicates the level of inflexibility that debt places on the budget."[19] York's percentage of debt service to fund expenditures will increase in future years as a result of the anticipated 2011 bond issue.

How Does the City Repay Its Debt?

York has established many funds specifically dedicated to debt service. Each GO bond issued by the City, with the exception of the 2007 taxable bank loan, has its own sinking fund in which amounts sufficient to make principal and interest payments are deposited before those payments are due. Additionally, debt service for all sewer revenue bonds is included in the Sewer Fund, with revenue from sewer fees set to cover these payments.

General Obligation Debt

All GO debt sinking funds (1995, 1998 and 2002) are supported by real estate taxes, tax claims, annual state pension aid, contributions from the General Authority or other small revenues such as investment interest.

The majority of the GO Series of 1995 is paid for by York's annual state pension aid receipts and real estate taxes. Since the 1995 bonds were issued to fund the City's unfunded actuarial accrued pension liability, the state Distressed Municipal Pension Aid Program contributes approximately 60 percent of the revenues for annual debt service. Real estate taxes are the second largest revenue source for repaying the 1995 GO issue.

The two 1998 GO issues are paid by a transfer from the General Authority and real estate taxes. The General Authority transfers approximately $800,000 annually for the portion of the parking system the General Authority purchased from the City. In 2011 this transfer accounts for over 85 percent of all revenues budgeted to pay debt service on the 1998 issues. The second largest revenue source for repayment of the 1998 bonds is real estate taxes. In 2012 the General Authority will complete its payment for the debt portion of its purchase of the parking system and will no longer make payments to the City. The City will need to determine how to fund the remaining 1998 GO debt service payments without the assistance of the General Authority.

The 2002 GO debt issue is primarily paid for by real estate taxes, which contributes approximately 90 percent of debt service payments from 2007 to 2011.

[19] Standard and Poor's. "Criteria | Governments | U.S. Public Finance: U.S. State Ratings Methodology." January 3, 2011

The 2007 taxable bank loan is funded from the Internal Services Fund. Since the loan was issued to settle a lawsuit, it is paid for with revenues from the Risk Management budget.

In some years, the City's financial records indicate the total annual revenue in a specific debt fund is less than the total annual expenses in that same fund, resulting in an apparent annual deficit. In reality the City is meeting its annual debt service costs somehow but it is not clear from the financial records how it is doing so. It is possible that the debt funds which show an annual deficit have a balance from prior years that is available to draw down to cover the deficit. Or the City may be transferring money from other funds to the debt fund showing a deficit to cover it. The City should determine whether this is the case so it has a full understanding how it covers its debt service expenses from year to year.

Revenue Bond Debt

Debt service payments for the sewer revenue bonds are paid from revenues received by the Sewer Fund. The City and participating municipalities (Manchester Township, West Manchester Township, North York Borough, West York Borough, Spring Garden Township and York Township) that utilize the City's sewage treatment services pay a share of the debt service or in some cases have elected instead to make annual rental payments for their use of the debt-funded facilities.

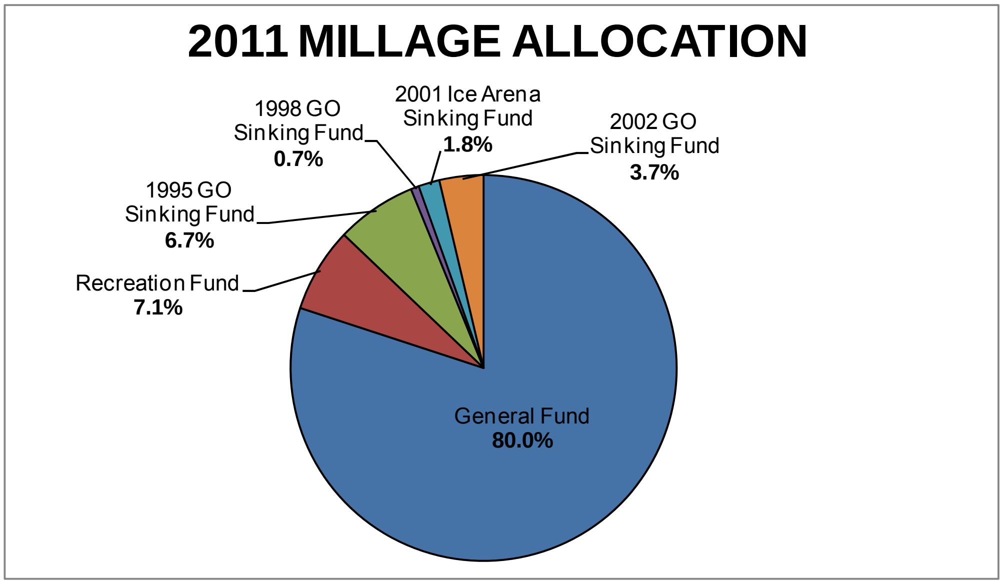
As noted earlier in this chapter, the 2001 Ice Arena revenue bonds are paid from real estate taxes, tax claims, investment interest and transfers from the Ice Rink and Recreation Funds. From 2007 to 2011, the revenues generated from the taxes, investment interest and ice rink transfers alone accounted for approximately 73 to 81 percent of the ice rink debt. Transfers from the Recreation Fund were necessary to fund a remainder of the debt service in those years. Even with the Recreation Fund transfers, the Ice Rink Bond Sinking Fund has run an operating deficit for four of the last five years, requiring transfers from other funds to assist in paying its debt service.

Millage Used to Pay Debt Service

Since 2006, York's real estate tax millage has increased by 4.5 mills (or 34.1 percent), rising from 13.2 mills in 2006 to 17.6 mills in 2011. Despite this overall increase, the annual millage dedicated to debt actually decreased, both in terms of total mills and percentage of the property tax levy.

	2006		2007		2008		2009		2010		2011	
	Mill	Percent	Mill	Percent	Mill	Percent	Mill	Percent	Mill	Percent	Mill	Percent
Mills Dedicated to Debt Funds	2.4	18.1%	2.3	17.0%	2.3	15.5%	2.3	15.0%	2.3	14.5%	2.3	12.9%
Mills Dedicated to Non-Debt Funds	10.8	81.9%	11.3	83.0%	12.4	84.5%	13.3	85.0%	13.4	85.5%	15.4	87.1%
Total Mills	13.2	100.0%	13.7	100.0%	14.7	100.0%	15.6	100.0%	15.6	100.0%	17.6	100.0%

In 2011, only 12.9 percent of all City real estate tax revenues are dedicated to paying debt service, with the 1995 sinking fund receiving more than half of that amount. Real estate tax revenues supporting the 1998 bond issue have decreased over the years, receiving less than one percent of the total millage allocation in 2010 and 2011. Following is an illustration of how the 2011 real estate taxes are allocated amongst funds.



The City's intended 2011 bond issue, described earlier in this chapter, will increase debt service costs and overall expenditures, most likely beginning in 2012. As a result, the recent trend of declining debt service millage will probably be reversed.

Credit Ratings: City Debt from an External Perspective

There are three principal rating agencies – Moody's Investor Service, Standard & Poor's Rating Service and Fitch Ratings – that evaluate local governments and assign a credit rating that is a measure of a government's ability to repay its debt. These credit ratings directly affect the cost of issuing debt: the higher the credit rating, the lower the interest rates governments will pay to issue the debt.

York is currently rated Baa1 by Moody's and BBB by S&P. York's ratings are shown in the following chart along with those for some comparable cities in Pennsylvania.[20] The two cities that are ranked lower than York (Reading for Moody's, Scranton for S&P) are currently under Commonwealth oversight through the Municipalities Financial Recovery Act (i.e. Act 47).

Moody's	S&P
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1: Allentown, Lancaster	A+
A2: Easton	A: Wilkes-Barre
A3	A-: Easton
Baa1: ***York***	BBB+: Allentown

[20] Fitch Ratings does not rate York or many other comparable Pennsylvania cities, and not all cities maintain ratings from both S&P and Moody's.

Moody's	S&P
Baa2: Reading	BBB: Bethlehem; ***York***
Baa3	BBB-: Scranton

Source: Moody's Investor Services; Standard & Poor's[21]

In determining a municipality's credit rating, the rating agencies consider four factors: economy, debt, finances and administration/management strategies.

While probably the least controllable of the four credit factors, a City's economy is critical to credit analysis because the economic base ultimately generates the resources that governments use to repay municipal debt. The local economy in York is based on manufacturing, government employment and health care. In comparison to other cities in Pennsylvania in recent years, York has had a higher unemployment rate, affecting earned income tax and local services tax revenue. In addition, median household incomes, per capita incomes and home values in York are all substantially less than the medians/averages for Pennsylvania as a whole and for comparable Pennsylvania cities, limiting revenue growth from property taxes.

Rating agencies also focus on debt structure. Characteristics of debt structure include the amount of short-term debt outstanding, the extent of reliance on variable rate debt obligations and the overall structure of debt service payments (such as the pace of repayment, discussed earlier in this chapter).

When rating agencies review financial factors, they look at more than the most recent year-end financial statements. Although annual results are important, they also examine trends in financial performance and control. As such, budgetary planning and accurate projections, as well as a municipality's policies on spending growth, use of surplus and shortfall contingency plans all affect a city's credit rating.

Finally, rating agencies account for administrative factors such as an issuer's organization, division of responsibilities and professional qualifications. These organizational characteristics are measured by whether a municipality has adopted and adhered to sound financial and debt policies, such as a renewed focus on multi-year planning and improved financial reporting and management. Debt management policies and strategies are discussed in further detail in the next section.

Strategies for Savings and Budget Relief

This section of the chapter covers possible methods for reducing the cost of the City's existing debt burden.

Fixed Rate Refunding

York may continue to seek savings and budget relief by refinancing existing debt and issuing new debt at lower interest rates or with new interest rate structures. Refinancing existing debt is a good strategy in the current economic environment since interest rates remain low. As a result, there are often opportunities to enter into new debt service agreements that will be cheaper than those prevailing when the original debt was issued.

Refinancing of public debt is called refunding. In essence, it involves the same mechanics as refinancing a personal home mortgage: the proceeds from the sale of a new bond issue are used to retire and replace an outstanding bond issue. Refunding is done to reduce interest costs,

[21] Rates as of 10/6/11

extend the maturity of the debt or relax existing restrictive covenants. There are two types of refunding: current and advanced. A current refunding occurs when new bonds are issued within 90 days of the call date of the existing bonds. (When bonds are initially sold, issuers promise for a set period not to redeem or "call" the bonds to achieve more favorable financing. The call date is typically at least five to 10 years after issue). In contrast, an advance refunding occurs when new bonds are issued to repay an outstanding bond issue before its first call date. Since tax regulations changed in 1986, bonds can only be advanced refunded once whereas the current refunding is unlimited.

In 2010, the Sewer Authority took advantage of low interest rates and issued two Sewer Revenue Bonds, Series of 2010 and Series A of 2010, to fund new capital projects and to refund the prior 1997 Bond at a lower cost. The table below details which bonds have already been refunded.

Bond	Purpose of Issue
Sewer Revenue Bonds, Series of 1990	Advance refund a portion of the Sewer Revenue Bonds, Series of 1987 and finance construction projects
GO, Series B and D of 1998	Advance refund a portion of GO Notes, Series of 1998; Advance refund a portion of Series A of 1995; Advance refund the Guaranteed Parking Revenue Bonds, Series of 1996
GO, Series of 2002	Refund GO, Series of 1998
Sewer Revenue Bonds, Series A of 2010	Refund Sewer Revenue Bonds, Series of 2007

All of the City's debt has been recently reviewed for both current and advanced refunding opportunities. The City intends to refund its 2001 Ice Arena bonds as part of its 2011 bond issue. This refunding could yield over $150,000 in net savings.

The 2002 GO Bond has been callable since June 2008. However, the final payment for this bond will be made in 2013 and therefore, significant savings cannot be realized from refunding this issue.

Similarly, the 2007 GO taxable bond is callable at any time but expires in 2015 and has less than $800,000 due as of December 31, 2012. Refunding this bond would not yield significant savings.

Redemption Provisions

Redemption provisions should be included in the basic structural requirements of every transaction. For example, the current market allows for a five year call with no premium required for issues $10 million or under and an eight to 10 year call with no premium for issues over $10 million. Without call options, issuers cannot take advantage of fixed rate refunding opportunities when interest rates decline, such as in today's low interest rate environment.

York currently has two GO bonds and a revenue bond that are non-callable. The Sewer Revenue Bonds, Series of 1990 and both Series B and D of 1998 do not have redemption options. This structure reduces the City's opportunities for possible debt savings. In the future, the City should carefully balance life-cycle debt service costs from non-callable structures against the potential for refunding savings under more typical callable bonds, with a presumption against non-callable structures.

Tax-Exempt Debt

A majority of the City's debt was issued as tax-exempt, allowing the City to pay lower interest rates than would be necessary on taxable bonds. All Sewer Revenue Bonds, GO Series of 1998, GO Series of 2002, GO Series and Series A of 2010 and the Ice Arena Revenue Bonds of 2001 were issued as tax-exempt debt.

Taxable Debt

York has two series of taxable bonds: Series A of 1995 and the 2007 taxable loan. The 1995 series of taxable bonds was issued to finance the City's unfunded actuarial accrued pension liability with deposits to the City pension funds and to fund a component of the City's required annual pension contribution. The 2007 taxable loan was issued to settle a lawsuit.

Fiscal and Debt Management Policies

The City presently lacks formal policies guiding some of its financial practices. Creating and implementing policies and practices related to debt could improve the City's fiscal management. Financial policies for the City should include:

- Developing guidelines for the annual total debt service as a percent of expenditures;
- Monitoring the City's net debt ratio;
- Setting guidelines for the level of fund balance as a percentage of the General Fund;
- Monitoring the rate of retirement of principal.

In addition to adopting formal financial policies, the City should also institute formal debt issuance and management policies. All parties to the transaction should be selected competitively, such as an underwriter, financial advisor and bond counsel, and the City should ensure that parties do not have competing interests. For example, the City's financial advisor should not be allowed to underwrite the City's debt.

The City should also consider how frequently it issues debt. Many larger cities borrow annually in order to closely tie debt service costs to the actual construction and delivery of large projects. However, multiple small issues are costly in terms of transaction costs and staff focus.

When issuing refunding bonds, there are other policies that York can apply. One is having a policy that refunding candidates should produce a minimum net present value of the bonds being refunded. The City has recently used a minimum savings of two percent and should continue that practice. Without such a threshold, municipalities may rush into refunding bond series that would have yielded higher savings in the future. However, refundings undertaken for special restructuring or covenant changes could be exempt from this threshold. The City may also wish to create guidelines for when to consider selling bonds competitively rather than on a negotiated basis.

Finally, the City should adopt a policy on the use of swaps and other derivative products. During the financial crisis that began in 2008, some cities and school districts in Pennsylvania were negatively affected by the collapse of insurers and swap counterparties. Many of these governments had to make large, unexpected payments or incurred unplanned costs to unwind swaps that were deemed to provide negative exposure. York was not one of these cities. However, given the continued availability of these financial products, York should have clear policies for utilizing these debt management tools. This could range from a total ban on these instruments to a requirement that Council and the Mayor receive a formal evaluation of any derivative product from an independent expert before approving such a transaction.

All of these actions will help improve the City's credit rating, lowering its capital costs, and send a clear signal of financial health and managerial competence to potential bondholders.

City Workforce

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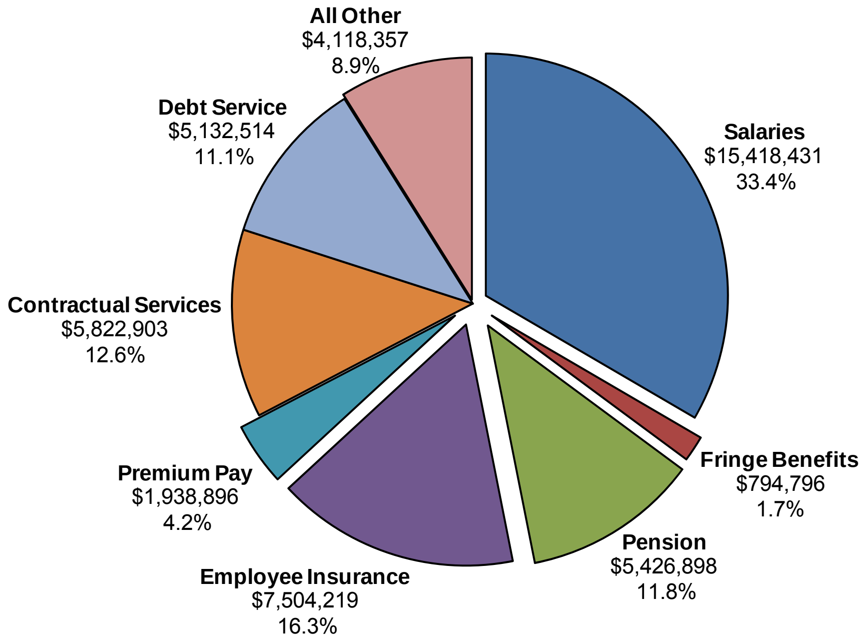
City Workforce

The services that York provides are labor intensive so the majority of the City's expenses are related to employee wages and benefits. Across its major funds[22] the City spent $31.1 million on employee salaries, premium pay, insurance, pensions and other benefits in 2010. That accounts for 67.3 percent of the $46.2 million spent in those funds.

2010 Actual Major Fund Expenditures[23]



With such a significant portion of the City's expenses related to its workforce, those costs are a critical factor in the City's financial stability. York cannot hope to address the projected multimillion dollar deficit without keeping workforce costs at affordable levels or bringing them into line where they are not. Failure to do so will have real consequences for the City – deteriorating financial health, dramatic tax increases or service cuts. City employees would also suffer in this situation with the potential for layoffs and diminished ability to do their jobs.

This chapter explains what the City spends on workforce expenses, what drives those expenses and how those expenses have changed. It also describes the City's progress in implementing workforce recommendations in the 2006 Early Intervention Plan and provides more options to address the enormous deficit facing York.

Overview

The City has 427 positions in its proposed FY2011 budget, 379 of which are full-time. Approximately 70 percent of these positions are held by members of collective bargaining units. The City's labor

[22] York's budget has a unique structure that allocates its major operating and debt service expenses across several funds. Expenses from the following funds are shown in aggregate throughout the chapter to give a fuller picture of the City's spending: General, Internal Service, Recreation, Ice Rink (for operating expenses), Ice Rink Sinking (for debt service expenses) and Bond Issue Sinking Funds for 1995, 1998, 2002 and 2011. Other funds related to the City's enterprise activities (wastewater) and certain community development activities supported by federal grants are not included here.

[23] Because of the City's unique fund structure, spending for employee health insurance appears twice in the City's budget. First, each department spends a portion of its budget on health insurance. That money is transferred from the operating fund (such as the General Fund) to the Internal Service Fund. Then the City pays the actual health claims from the internal service fund. To avoid double counting these expenses, this calculation only shows the second transaction in which the City pays health claims.

agreements with four of the five bargaining units -- all but the Fraternal Order of Police (FOP) -- will expire on December 31, 2012.

City of York Headcount by Bargaining Unit

Employee Group	Covered Positions	No.	Contract Term
Fraternal Order of Police, White Rose Lodge No. 15	All full-time paid police officers	107	01/01/07 - 12/31/14[24]
International Association of Fire Fighters, Local 627	All full-time and regular part-time firefighters, Lieutenants, Captains and Assistant Chiefs; excluding management level employees	65	01/01/07 - 12/31/12
Teamsters, Local 776	All full-time and regular part-time blue collar employees	62	01/01/08 - 12/31/12
York Public Employees Association	All employees working 30 or more hours per week in non-supervisory, non-confidential and non-management classifications	28	01/01/07 - 12/31/12
International Brotherhood of Electrical Workers, Local 229	Electronic technicians, linemen and maintenance electricians	5	01/01/04 - 12/31/12
Non-Affiliated Employees	Executive, management, confidential and all other City employees	112	N/A
Total	**N/A**	**379**	**N/A**

The 427 positions in the City's FY2011 budget are 44 more than the City proposed in the FY2006 budget (27 additional full-time and 17 part-time). The table below shows the City's proposed headcount from its budgets for FY2006 through FY2011.[25] Much of the apparent headcount growth is attributable to the City budgeting differently for crossing guards in FY2006.[26] Beyond that, the biggest change is in the Police Department where the City budgeted 128 positions in 2011 versus 117 in 2006. This was driven by the addition of 13 patrol officers over those five years.

Budgeted Positions by Department (Full- and Part-time)

	2006	2007	2008	2009	2010	2011	Change
Building/Electrical	12	12	12	12	12	13	1
Business Administration	3	5	5	5	5	5	2
Central Services	1	1	1	1	1	1	0
Community Development	2	2	2	2	2	0	-2
Controller	2	2	2	2	2	2	0
Council	7	6	6	6	6	6	-1
Economic Development	2	3	4	4	4	4	2

[24] The existing January 1, 2007-December 31, 2011 contract was extended to 2014.

[25] The City provided proposed, but not final, budget documents for this period. In the absence of information on filled positions during this time, this Plan uses these proposed budget figures as the best available proxy.

[26] The City budgeted for 17 crossing guard positions in FY2005 and 23 in FY2007. In FY2006, the City allocated money for crossing guards, but did not list the specific number of positions.

	2006	2007	2008	2009	2010	2011	Change
Environmental Services	6	6	7	7	10	7	1
Finance	7	7	8	8	8	10	3
Fire	72	70	71	71	69	69	-3
Fleet	3	3	3	3	3	3	0
Health	21	20	19	19	22	21	0
Highway	11	11	11	11	11	11	0
Housing	8	9	10	8	8	7	-1
Human Relations	2	3	3	3	3	1	-1
Human Resources	3	3	3	4	4	4	1
Information Services	6	6	5	6	6	5	-1
Mayor	3	3	3	3	3	3	0
Municipal Industrial Pretreatment	3	3	3	2	2	2	-1
Parking	19	23	26	26	26	23	4
Parks/Recreation	16	16	16	15	15	15	-1
Planning, Permits, and Zoning	10	10	12	11	11	10	0
Police (w/out Crossing Guards)	117	118	125	130	128	128	11
Public Works	3	3	3	3	3	3	0
School Crossing Guards	N/A	23	23	22	24	28	28
Sewer Maintenance	6	6	6	7	7	7	1
Solicitor	3	3	3	3	3	3	0
Treasurer	3	3	3	3	3	3	0
Wastewater Treatment Plant	32	32	32	32	32	33	1
TOTAL	**383**	**412**	**427**	**429**	**433**	**427**	**44**

Across all major funds, the City budgeted $33.6 million for workforce related expenses in 2011. Absent corrective action, that amount will increase each year as employees receive wage increases, the cost of employee health insurance rises and pension liabilities increase. Salaries and associated expenses (i.e. premium pay, payroll taxes) are projected to increase by 2.6 percent per year based on a weighted average that accounts for the City's existing collective bargaining agreements. Health insurance expenses are projected to grow by 12.0 percent per year. The City's pension obligations are projected to increase by $2.2 million (or 33.3 percent) in 2015 with the expiration of the benefits the City receives under Commonwealth Act 44 of 2009.[27]

[27] This is explained in more detail later in this chapter.

Major Funds Projected Baseline Expenditures – Workforce

	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	2006-2011 Growth
Salaries	16,414,523	16,838,755	17,273,951	17,720,394	18,178,376	18,648,194	43.6%
Premium Pay	1,135,626	1,164,976	1,195,085	1,225,971	1,257,657	1,290,161	87.4%
Other Pay	822,150	838,620	855,473	872,717	890,364	908,421	-66.3%
Fringe Benefits	971,696	990,499	1,008,782	1,027,531	1,046,758	1,066,476	45.6%
Pension	6,605,288	7,101,538	6,605,288	6,605,288	8,806,830	9,009,388	35.8%
Employee Insurance	7,620,000	8,452,810	9,382,457	10,420,443	11,579,647	12,874,488	45.3%
TOTAL	**33,569,283**	**35,387,197**	**36,321,034**	**37,872,345**	**41,759,632**	**43,797,127**	**27.4%**

Wage Growth

The 2006 EIP recommended that the City set a savings target of $3.15 million over five years across all bargaining units and non-represented employees. That target was approximately equal to what the City would have saved through a two-year base wage and step freeze, though the recommendation suggested the City could achieve equal savings through other methods as well.

In 2006, the City negotiated a contract with the City's clerical union (YPEA) that followed the 2006 EIP strategy by doubling the employee health premium contribution and reducing the level of annual wage increases. In June 2011, the City concluded a new agreement with the Fraternal Order of Police that will slow the growth in wages. Overall, the average annual wage increase per bargaining unit dropped slightly from 2.7 percent per year in 2001-2006 to a scheduled 2.6 percent per year for 2007 to 2012.

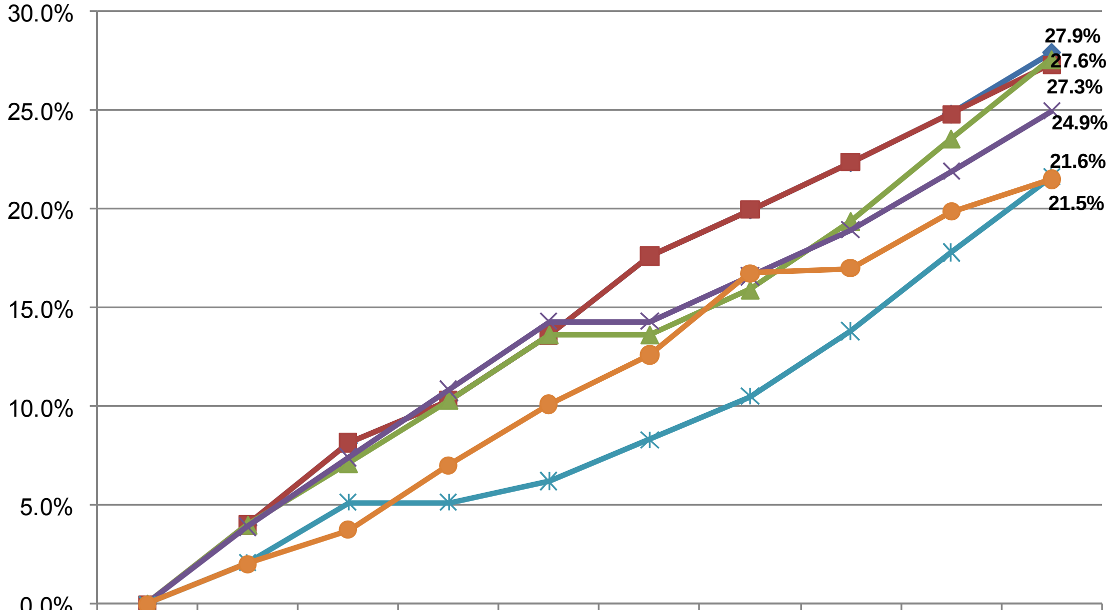
Average Annual Wage Increase by Bargaining Unit

	2001-2006	2007-2012
FOP	3.3%	2.4%
IAFF	3.3%	2.0%*
Teamsters	2.6%	3.0%
YPEA	2.7%	2.5%
IBEW	1.6%	3.0%
Average per unit	**2.7%**	**2.6%**

*Uses 2011 increase since 2012 rate will be tied to CPI

Despite these efforts, the City's bargaining unit wage increases over the last 10 years have generally exceeded inflation (as measured by the chained consumer price index (C-CPI-U), considered by US Bureau of Labor Statistics to be the best approximation for cost-of-living). This trend wage growth exceeding C-CPI-U has continued since the release of the Early Intervention Plan in 2006, with only IBEW receiving wage increases on par with inflation growth as of December 31, 2010. Because this comparison only covers base wage increases, any employee who received tenure-based longevity increases during this period would have fared even better. The graph below tracks the base wage increases in comparison to inflation.

Employee Wage Increases and CPI Growth: FY2002 Actual - FY2010 Actual[28]



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FOP	0.0%	4.0%	8.2%	10.3%	13.6%	17.6%	20.0%	22.4%	24.8%	27.9%
IAFF	0.0%	4.0%	8.2%	10.3%	13.6%	17.6%	20.0%	22.4%	24.8%	27.3%
Teamsters	0.0%	4.0%	7.1%	10.3%	13.6%	13.6%	15.9%	19.4%	23.6%	27.6%
YPEA	0.0%	3.9%	7.4%	10.9%	14.3%	14.3%	16.6%	18.9%	21.9%	24.9%
IBEW	0.0%	2.1%	5.2%	5.2%	6.2%	8.3%	10.5%	13.8%	17.8%	21.6%
C-CPI-U	0.0%	2.0%	3.8%	7.0%	10.1%	12.6%	16.7%	17.0%	19.9%	21.5%

At the same time, current inflationary pressures are manageable. C-CPI-U increased by 3.4 percent nationally from June 2010 to June 2011. For calendar year 2011, the Philadelphia Federal Reserve Bank Second Quarter Survey of Professional Forecasters projects year-over-year CPI increases of 3.1 percent. Upcoming scheduled wage increases will be in excess of projected inflation through 2012.

Scheduled Bargaining Unit Wage Increases, 2011-2014

	2011	2012	2013	2014
FOP	3.00%	2.30%	2.30%	2.30%
IAFF	2.00%	2% - 4%, tied to CPI	TBD	
Teamsters	3.25%	3.00%	TBD	
YPEA	3.00%	3.00%	TBD	
IBEW	3.25%	3.00%	TBD	
Projected CPI Growth[29]	***3.10%***	***2.20%***	***2.30%***	***2.35%***

[28] The 0.0 percent shown for 2001 indicates it is the starting point for this period, not a wage freeze for all employee groups in that year.

[29] Federal Reserve Bank of Philadelphia. "Second Quarter 2011 Survey of Professional Forecasters." 2011-2013 Q4/Q4 Annual Average and 2011-2015 Long Term Annual Average. May 13, 2011

Overtime Costs

Base salaries are just one form of cash compensation that City employees receive. They also may receive additional pay based on tenure (longevity payments); premium pay for working on holidays or evenings (shift differential); and other stipends for special assignments or equipment/uniform purchases.

Non-management employees are also eligible to receive additional pay for working overtime. The City's overtime expenditures across all major funds are shown below. Overtime spending grew by 72.5 percent from 2006 to 2010, more than four times faster than the growth rate for total expenses. In 2010, the City reduced police overtime spending by $170,000 (or 12.4 percent) from 2009 levels, which resulted in the overall drop in City overtime.

Overtime Expenditures in Major Funds, 2006 - 2010

	2006	2007	2008	2009	2010	Change %
Overtime expenditures	1,127,765	1,464,106	1,808,569	2,028,419	1,945,771	72.5%
Total expenditures	46,531,297	48,252,442	46,417,014	53,465,596	54,586,970	17.3%
Share of total expenditures	**2.4%**	**3.0%**	**3.9%**	**3.8%**	**3.6%**	**47.1%**

For 2011, the City budgeted $1.7 million for overtime across all major funds, a 12.1 percent reduction from 2010 estimated expenditures. Similarly the City's 2010 budget anticipated an 18.9 percent reduction in overtime expenditures, but the City only reduced overtime by 4.1 percent. If the 2011 budget allocation is too low, the City will have to cover this expense another way.

Projected Overtime Expenditures in Major Funds, 2011- 2016

	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	Change %
Fire Department	447,000	458,553	470,404	482,561	495,033	507,827	13.6%
Police Department	1,223,126	1,253,102	1,283,814	1,315,282	1,347,525	1,380,560	12.9%
All other	40,500	41,547	42,620	43,722	44,852	46,011	13.6%
Total	**1,710,626**	**1,753,201**	**1,796,839**	**1,841,566**	**1,887,410**	**1,934,398**	**13.1%**

The majority of the City's overtime costs are related to public safety. The Police Department accounts for 71.5 percent of the City's 2011 budget, and the Fire Department accounts for 26.1 percent. Of the $1.2 million allocated to the Police Department, at least 47 percent of it is designated "reimbursable."[30] If an outside entity, federal or state grant is paying for these costs, there should be revenue that offsets this budgeted expense. The City's recent strategic plan for the Fire Department addresses this rapid growth in overtime spending, which accounts for much of this trend.

Fringe benefits

The City budgeted $7.6 million across its major funds for employee insurance allocations in 2011, which includes employee health, dental, workmen's compensation and unemployment insurance policies. This EIP projects that the City's health insurance expenses will increase by 12.0 percent per year, or 70.6

[30] There are other overtime allocations in the FY2011 budget that may also be reimbursable, such as those associated with an intergovernmental Drug Task Force and the Commonwealth's Buckle Up initiative.

percent cumulatively over the 2011-2016 period. This projection may seem excessive but follows the national trend in which health insurance costs are projected to rise at a rapid pace, as shown below.

Segal Health Plan Cost Trend Survey 2011 (conducted Summer 2010)		
Actives and Retirees < Age 65	***2010 Projected (%)***	***2011 Projected (%)***
Indemnity Plans (w/o Rx)	13.3	12.7
Open Access PPO/POS Plans (w/o Rx)	10.8	11.0
PPO/POS with Gatekeeper Plans (w/o Rx)	10.6	11.2
HMO Plans (w/o Rx)	10.2	10.2
High Deductible (w/o Rx)	11.9	11.7
Rx Carve-Out (retail and mail order combined)	9.1	9.2

In a survey of major health insurers, HMOs and third party plan administrators, the Segal Company further reports that 73 percent of respondents expect that costs of compliance with Affordable Care Act (ACA) of 2010 mandates (i.e., expanding child dependent eligibility to age 26) will add between 0.1 percent and 2.0 percent to costs of plan sponsor benefits.[31]

As the cost of health insurance rises, the City has less money for other purposes, whether that is maintaining services or increasing employee's cash compensation. Therefore, control of health care cost growth is an important goal for the City, its taxpayers and its employees.

After the 2006 EIP was completed, the City engaged Riverside Consulting to develop a new employee health care plan, a Preferred Provider Organization (PPO), to provide health coverage at a lower cost than the existing plans. Riverside helped the City develop a pharmacy benefit program with a three tier co-pay structure, mandatory generic usage, a step therapy program, out-of-network penalties and a direct contract with a pharmacy benefit administrator that resulted in bigger discounts and rebates. Capital Blue Cross was hired as the Third Party Administrator to administer the PPO health plan, and Caremark administers the pharmacy benefit.

City employees have slowly migrated to this new structure with the non-represented employees moving in 2006; FOP members through an arbitration award in 2007; and Teamsters and IBEW members through a negotiated labor agreement in 2008. IAFF and YPEA employees still have the prior indemnity plans, but the Administration hopes to move those units to the new health plan in 2012.

One of the important features of the new plan is that some City employees pay more toward the cost of their health insurance coverage through premium contributions. The FOP, which is the City's largest group of employees, does not make a premium contribution. York, together with Allentown and Harrisburg, is the only eastern Pennsylvania third class city over 40,000 population without any police health care contribution. Nationally state and local government employees contribute 11.0 percent of the premium for single coverage and 27.0 percent for family coverage.[32] Private sector workers contribute more on average, 17.8 percent for single and 29.0 percent for family coverage. Third class cities across the Commonwealth are also implementing or considering increases to employee health care contributions:

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[31] The Segal Company. "2011 Segal Health Plan Cost Trend Survey." October 2010.
[32] U.S. Bureau of Labor Statistics, Employee Benefits in the United States, March 2010.

- **Wilkes-Barre** will increase its fire employee health contribution from 5 percent to 8 percent of total premium effective 1/1/2012.

- **Reading** implemented caps on employer fire health premium contributions beginning in 2011 and is seeking a police premium contribution cap for 2012.

- **Johnstown** increased fire employee health care contributions to 15 percent of premium in 2011.

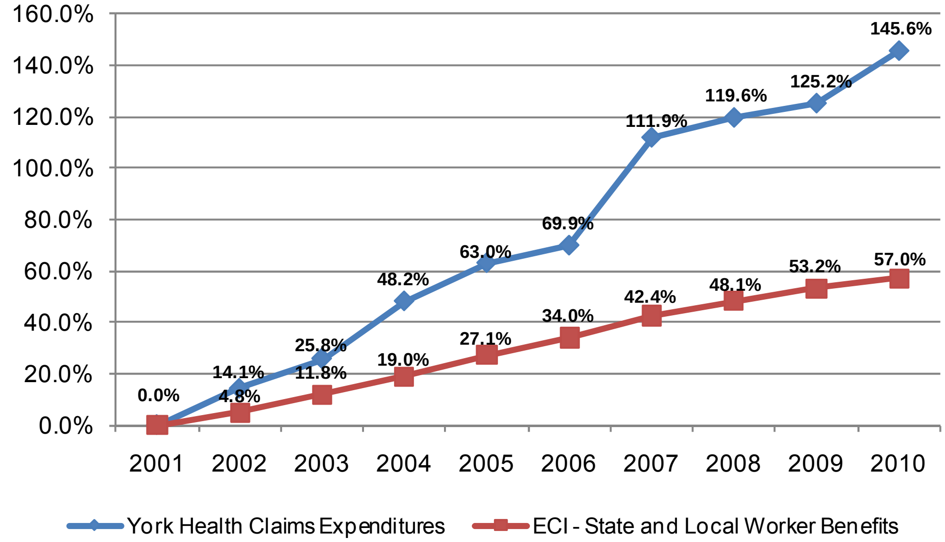
The premium sharing arrangement for York City employees is shown below.

Health Insurance Premium and Copayment Structure

Employee Group	Employee Contributions		Office Visit Co-Pay, Primary Care	Rx Drug Co-Pays (retail)
	Individual Coverage	Family Coverage		
FOP, Lodge No. 15	$0/month	$0/month	20% coinsurance after deductible	$7.50, $15, $15
IAFF, Local 627	$30/month	$80/month	20% coinsurance after deductible	$5, $10, $10
Teamsters, Local 776	$50/month	$130/month	$10	$10, $25, $25
YPEA	$30/month	2.9% of salary	$10	$0, $25, $25
IBEW, Local 229	$50/month	$130/month	$10	$10, $25, $25
Non-Affiliated Employees	$30/month	$90/month	$10	$10, $25, $25
Private Sector Average	17.8% ($74.92/month)	29.0% ($333.08/month)	$22	$11, $28, $49
State and Local Governments	11.0% ($85.18/month)	27.0% ($354.66/month)	Data not available	Data not available
Commonwealth of PA Employees (largest unions)	3.0% of gross salary	3.0% of gross salary	$15	$10, $18, $36

Despite these changes, the City's reported spending on employee health insurance continues to grow at a much higher than average rate when compared to other state and local governments. According to the data provided by the City, York's costs rose 145.6 percent from 2001 to 2010 compared to an Employment Cost Index of 57.0 percent for state and local governments over this period.

York Employee Health Claims vs. Employment Cost Index for State and Local Worker Government Benefits, 2001 - 2010



Source: US Bureau of Labor Statistics, Seasonally Adjusted Data from the Employment Cost Index, State and Local Government Benefits (Q1 to Q1)

The plan design changes discussed above may have mitigated cost growth from 2007 to 2009. But the City's costs jumped by 9.1 percent (or $573,000) in 2010 compared to an ECI percentage increase of 2.5 percent. The City's actual expenses on health insurance have also exceeded budgeted amounts by an average of $455,000 per year since 2007. This underscores the volatility and costliness of the City's current arrangement.

Other Post-Employment Benefits

In addition to retiree pensions, the City also provides retiree medical benefits, available to all City employees, for which no sufficient reserves have been established. York's first actuarial valuation for such Other Post-Employment Benefits (OPEB) identified the City's unfunded liability at approximately $48.95 million as of January 1, 2007, and determined that the City should be making an annual required contribution (ARC) of $4.81 million for such OPEB benefits. To date, however, the City only funds those benefits actually due each year for former employees who have already retired. In 2010, such pay-as-you-go OPEB expenditures amounted to $1.82 million, almost $3 million below the amounts that should be set aside based on actuarial levels. Retiree contribution levels as a percentage of retiree health claims have reduced in recent years, falling by 1.3 percent since 2006 and 4.3 percent since 2003. Retiree health claims have also grown 12.8 percent since 2006 despite the fact the number of enrollees at fiscal year end dropped 30.9 percent. The City continues to remain vulnerable to future substantial increases in retiree health costs.

Retiree Health Claims and Contributions, 2003 - 2010

	2003	2004	2005	2006	2007	2008	2009	2010
Retiree Health Claims	$1,068,239	$1,455,222	$891,859	$1,616,490	$2,181,549	$1,137,221	$1,828,251	$1,823,842
Retiree Contributions	$148,607	$146,824	$152,497	$134,047	$163,120	$161,143	$180,708	$174,364
Enrollees as of end of FY	264	229	282	288	310	N/A	N/A	199
Contribution % of Claims	13.9%	10.1%	17.1%	8.3%	7.5%	14.2%	9.9%	9.6%

Paid leave

Paid leave is another important component of the City's compensation package. It also has a financial impact since employee absences may drive overtime costs for replacement coverage. York's paid leave package is more generous than the average private sector employer and as generous, if not more so, than other state and local governments.

Paid Leave as of 2010

	Annual Holidays	Vacation, after 1 year	Vacation, after 5 years	Vacation, after 10 years	Vacation, after 20 years	Sick Leave	Personal Leave
York Clerical Employees (YPEA)	14	10 days	16 days	20 days	24 days	18 days	None
York Police Officers	14	14 days	16 days	18 days	25 days	30 days	1 day + bonus 1/2 day for each quarter without sick leave, bonus day if no sick leave for entire year
York Fire Fighters	14	14 days	16 days	18 days	25 days	20 days	2 days
York Teamsters	13	10 days	16 days	20 days	24 days	18 days	1 day
York IBEW Employees	14	10 days	16 days	21 days	24 days	18 days	None
Private Sector Median	8	10 days	15 days	15 days	20 days	6 days	37.0% receive paid leave
State and Local Government Median	11	12 days	15 days	18 days	22 days	12 days	60.0% receive paid leave
Commonwealth of PA	11	7 days	15 days	15 days	20-26 days	13 days (AFSCME Unit)	4 days per year (after 2 YOS)

Pension

As a City of the Third Class, York is required by Pennsylvania law to provide a defined benefit pension plan for its employees. "Defined benefit" plans promise employees a level of benefits upon retirement based on factors like salary and years of service, regardless of how much money has been deposited into that fund upon retirement. For example, York firefighters hired after 1988 receive an annual pension benefit equal to 52 percent of their annual average salary. In contrast, 59 percent of private sector employers provide their employees with access to a "defined contribution" plan, such as a 401(k) where the retirement benefit is determined by the amount of money deposited into the account by the employer and the employee and investment earnings on those deposits. Only 20 percent of private sector workers have access to a defined benefit plan.[33] Among state and local government employees, 84 percent have access to a defined benefit plan.

In a defined benefit plan, such as York's, the local government assumes the risk associated with investing enough money to pay the defined level of benefits when they are due. If the City's investments earn less money than the assumed rate of return or if the investments lose money, the City is still obligated to provide the same level of benefits. The table on the following page summarizes the major provisions of the City's pension plans for its three employee groups.

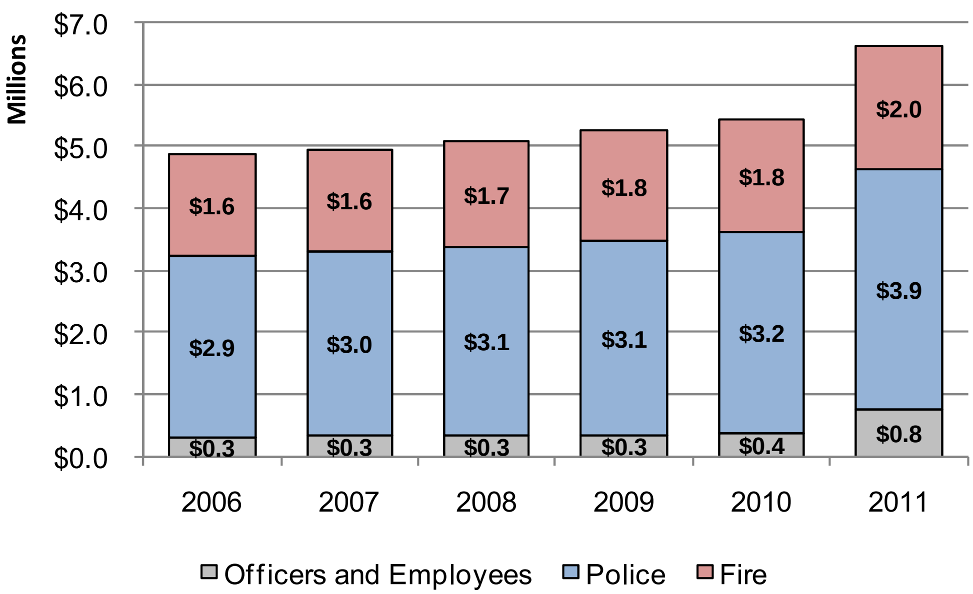
[33] U.S. Bureau of Labor Statistics, Employee Benefits in the United States, March 2010.

Summary of Retiree Benefits

Eligibility	Officers' and Employees Hired before 1/1/1978	Officers' and Employees Hired after 1/1/1978	Police Hired before 1/1/1978	Police Hired after 1/1/1978	Fire Hired before 1/1/1988	Fire Hired after 1/1/1988
Eligibility	All officers and full-time employees other than police officers and fire fighters		All full-time members of the police force		All full-time members of the fire department	
Normal Retirement Age	Attainment of age 60 and 20 years of service or 40 years of service regardless of age	Attainment of age 60 and 5 years of service or 40 years of service regardless of age	Attainment of age 50 and completion of 20 years	Attainment of age 50 and completion of 20 ½ years	Attainment of age 50 and completion of 20 years of service	Attainment of age 50 and completion of 20 1/2 years of service
Member Contribution	2% + 0.5% for service increment benefit	2%	5% + $1 per month		5% + $1 per month	**Hired before 1/1/2007** 5% **Hired after 1/1/2007** 6%
Vesting Requirement	20 years of service, 12 years of service if contributions are made up to reaching age 55; deferred pension beginning at normal retirement date	5 years of service, deferred pension beginning at normal retirement date	20 years of service, 12 years of service if separated involuntarily; deferred pension beginning at normal retirement date equal to benefit accrued to the date of termination		20 years of service; deferred pension beginning at normal retirement date equal to benefit accrued to the date of termination	20.5 years of service; deferred pension beginning at normal retirement date equal to benefit accrued to the date of termination
Payout Formula	50% of AAC; additional incremental pension up to a maximum of $1200	2% of AAC x Years of Service up to 40 years	50% of AAC; additional incremental pension up to a maximum of $1200		50% of AAC; additional incremental pension up to a maximum of $1200	52% of AAC
Final Average Salary	Final rate of pay or average of final five years pay	Average annual salary with longevity based on five highest consecutive years over last ten years	Final salary with longevity paid to officers or employees at the same rank held by the participant at termination		Highest annual salary with longevity in the five years preceding retirement	
Retiree Medical Coverage	Granted with the following annual contributions required -- **Under age 65:** $700-$900 single (varies by bargaining unit), $700 spouse/dependents **Over age 65:** $103.32 single, $103.32 spouse/dependents		Granted with the following annual contributions required -- **Under age 65:** $700 single, $700 spouse/dependents **Over age 65:** $103.32 single, $103.32 spouse/dependents		Granted with the following annual contributions required -- **Under age 65:** $700 single, $700 spouse/dependents **Over age 65:** $405.66 single, $469.44 spouse/dependents	

According to Commonwealth law, York is required to make an annual contribution to its pension fund to support the level of benefits provided. This Minimum Municipal Obligation (MMO) changes over time depending on the actual and assumed levels of investment performance, the number of active and retired employees, changes in their salaries and a variety of actuarial factors. The specific MMO amount is calculated by the City's actuaries, adopted annually in the City's budget process and must be deposited in the City's pension fund by December 31 of each year. The City MMO budgeted payments are tracked by employee group in the chart below.

York Required MMO Contributions, 2006 - 2011

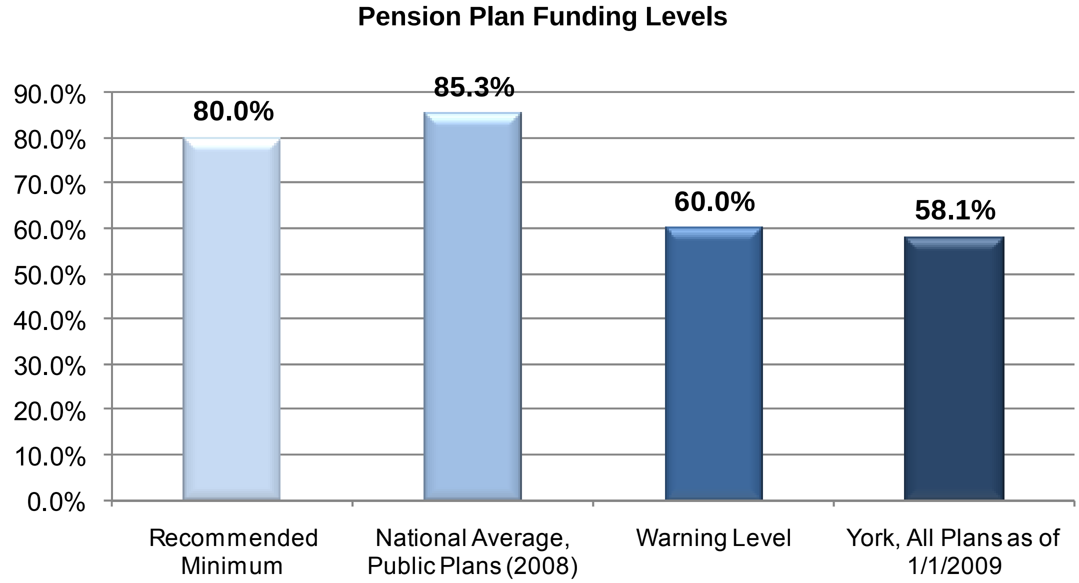


Every second year the City's actuaries prepare a valuation report showing the assets and liabilities for the City's pension plans. The report lists how much money the City needs to fully fund its liabilities and how much the pension plans have toward that liability. The shortfall in what is needed is measured through a funded ratio. The minimum funded ratio recommended by the U.S. Government Accountability Office for state pension plans is 80 percent.[34] Fitch Ratings considers a funded ratio below 60 percent as a warning sign for fiscal distress. As of January 1, 2009, York's police and fire pension funds fell well below that 60 percent threshold.

Pension Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio
Officers and Employees	1/1/2009	19,756,874	22,301,395	2,544,521	**88.60%**
Police	1/1/2009	36,453,921	71,734,278	35,280,357	**50.80%**
Fire	1/1/2009	23,246,959	42,684,783	19,437,824	**54.50%**

As of January 1, 2009, York's combined fund level was only 58.1 percent. According to the Pennsylvania Public Employee Retirement Commission (PERC), York's 2009 funded level was the fourth lowest among the 53 cities of the Third Class. Two of the three lower performers (Aliquippa and Johnstown) are subject to Commonwealth oversight under Act 47 of 1987.

[34] Pew Center on the States. "The Widening Gap: The Great Recession's Impact on State Pension and Retiree Health Care Costs." April 2011.



Source: Keith Brainard. "Public Fund Survey Summary of Findings for FY2008." Public Fund Survey. October 2009.

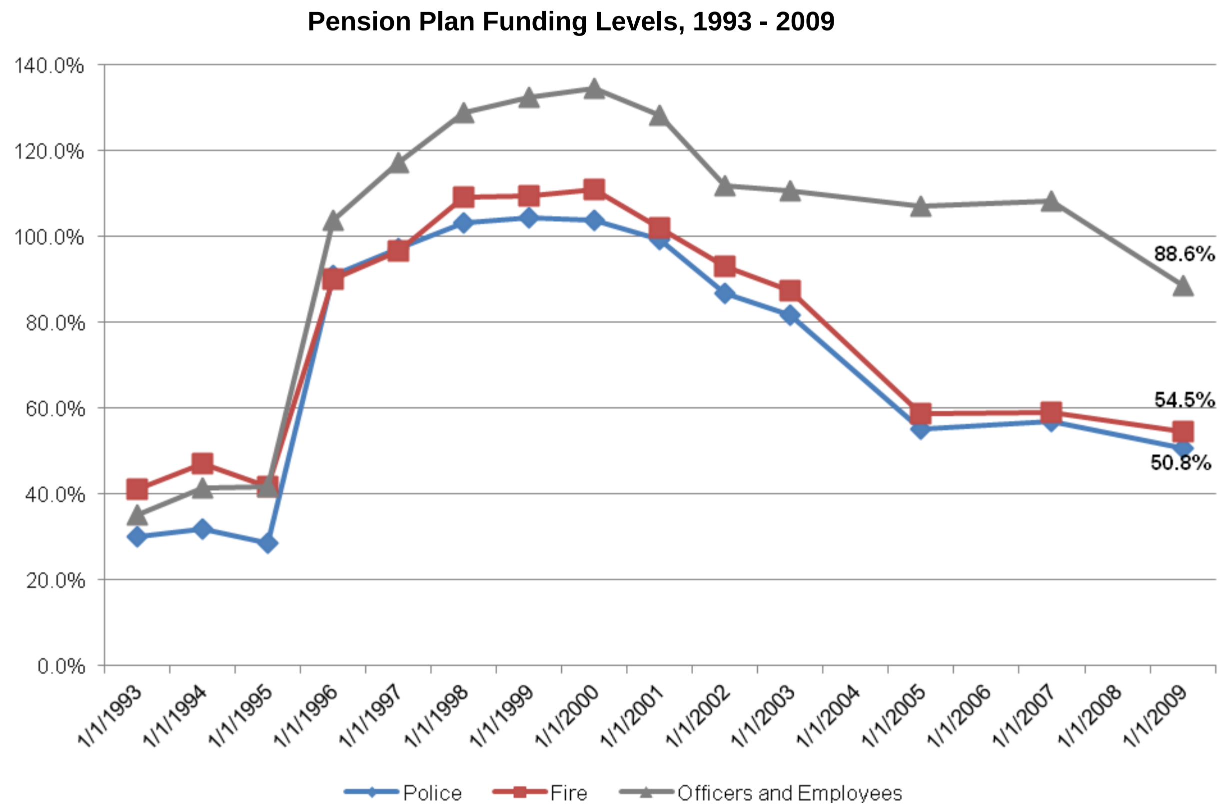
Several factors have contributed to the City's alarmingly low funded ratio:

- The long-term aspect of York's pension funding problem is a 1960 arbitration award that increased annual pension benefits for police officers and firefighters by half the amount of the annual increase in the wage of the highest paid active officer in the rank within which the person retired. This additional benefit remained unfunded as it passed through several legal challenges brought by City officials.

  In 1994, an arbitrator reinstated this benefit during an Act 111 grievance proceeding, creating a large unfunded liability. From 1994-2004, full funding was again delayed by subsequent negotiations and legal challenges. In 2004, PERC directed the City to fund the benefit. As a result, the combined funded ratio for the police and fire plans dropped from 84.0 percent in 2003 to 56.6 percent in 2005.

- A January 2007 arbitrator's award granted enhanced pension benefits to police officers including a Deferred Retirement Option Plan (DROP) and a "Pittsburgh Plan." A Pittsburgh Plan allows an officer with 20 years and six months of service to leave the Police Department and continue to contribute the normal employee contribution to the fund. When the former City employee reaches the retirement age, the pension benefit is distributed based on what the officer would have been earning if he or she had remained on the force to age 50. Since officer contributions are considerably lower than the normal cost, the plan increases the City's obligation to contribute toward the benefits of an officer no longer within its employ.

- In 1995 and 1998, the City issued two series of general obligation bonds to eliminate its unfunded actuarial liability. By 1998, all three funds were shown as fully funded (i.e. over 100 percent). However, when the stock market dropped in 2001 and 2002, investment losses eroded that position and the funded level fell below 100 percent. Meanwhile the City is still repaying the interest on the 1995 and 1998 bonds. The most recent recession and stock market collapse in 2008 had a similar impact on the City's funded levels.



Recovery efforts

The City has been participating in the Commonwealth's Recovery Program for Municipal Pension Systems since 1985.[35] The City currently has pension distress level II ("moderately distressed") because its combined funded level is between 50 and 70 percent.

In 2004, York worked with other Commonwealth municipalities to gain General Assembly passage of Act 81 of 2004, which allowed them to amortize the investment losses of 2001 and 2002 over 30 years, instead of the 15-year period over which actuarial gains and losses are generally amortized. In 2005 the City worked with the General Assembly to pass a York-specific amendment to the Commonwealth's pension statute allowing the City to use a 30-year amortization period for the 2004 PERC judgment payments, rather than the standard 15-year schedule.

The City also worked with its actuary to move from an actual fair market valuation method for determining the value of pension fund assets to an "asset smoothing" method. Asset smoothing calculates the value of plan assets based on a moving average over the prior three to five year period, rather than a "snapshot" of asset value during a given year. This shields municipal budgets from sudden swings in mandatory pension payments. Asset smoothing works both ways, however – while it allows a City to avoid upward spikes in pension payments, it also reduces the impact in years of strong gains.

The General Assembly provided additional temporary relief through Act 44 of 2009 which allows York again to amortize the required MMO over a 30-year period. Act 44 also allows a municipality with a "moderately distressed" pension plan, like York, to pay 75 percent of its MMO from 2011 through 2014. At the end of that period, the City will be required to pay the full amount

[35] Act 205 of 1984

of the MMO each year. It is also important to note that Act 44 of 2009 does not reduce the City's MMO by 25 percent; rather, it allows the City to pay the deferred 25 percent with interest later.

The 2011 budgeted pension payment is based on the actuarial valuation of the City's pension fund as of January 1, 2009; therefore it incorporates the investment losses of the recent recession. The 2011 MMO also incorporates the 25 percent deferral available through Act 44 of 2009.

Deferred MMO payments

As noted above, the City of York is required to deposit its annual MMO payment in its pension fund by December 31 of each year. If the City does not do so, it incurs a penalty equal to the interest at whatever rate the City uses for its earnings assumption calculated back to January of the year in which the MMO payment was due.

The City has not paid its full MMO by the December 31 deadline since 2007. Normally, the City pays its MMO incrementally throughout the year. In 2008 the City suspended its periodic MMO payments because of concern that it would not be able to secure the loan it would need for cash flow at the beginning of 2009.[36] The City did receive a cash flow loan in early 2009 and used some of the proceeds to pay the remainder of 2008 MMO in mid-January 2009 with an interest penalty of $297,000.

In 2009 the City again did not make its full MMO payment by December 31 because of lower-than-anticipated revenue collection and the economic downturn. When the City secured its cash flow loan in early 2010, it paid the remainder of the 2009 MMO with an interest penalty of $383,000.

The pattern continued in 2010. The City did not complete the MMO payment by December 31, 2010, instead carrying a $2.2 million liability into 2011. The City made the $2.2 million payment in mid-January but still owes the interest on that $2.2 million. The City anticipates making the interest payment in 2012, so $496,000 has been added to that year's baseline projected pension expense. There is generally a lag between when the MMO payment is due and when the Commonwealth detects its delinquency. While that gives the City some time before the 2010 penalty is due, the penalty will continue to grow over that time.

This cycle of delinquency creates at least two problems for the City. First, it increases the pension-related burden on the General Fund and the City's taxpayers. Normally the City would deposit the full MMO amount in the pension fund and that money would be invested and earn interest, reducing the City's pension liability. In this cycle of delinquency, the MMO is not deposited in the pension fund on time so the General Fund has to cover the additional interest penalty. That reduces the amount of money available for other purposes.

Second, absent better than expected performance in other parts of the budget, this cycle of delinquency creates a growing liability that the City carries into each year. The City starts with a shortfall and misses the MMO payment, incurring an interest penalty that it can only pay by increasing its cash flow loan the next year. At the end of that year, the City does not have enough money to repay the larger loan and the new MMO in full by December 31st. So the City repays the cash flow loan while paying less on the MMO and then carries a new, larger debt into the following year. Unless the City has a year in which there is a surplus elsewhere to cover this shortfall, the cycle repeats and the liability grows.

[36] Many municipalities do annual cash flow borrowings in the form of Tax Revenue Anticipation Notes (TRANs). The City borrows money in January and uses it until tax revenue arrives in March or April. Then the City repays the loan with interest by the end of the year.

Economic Context

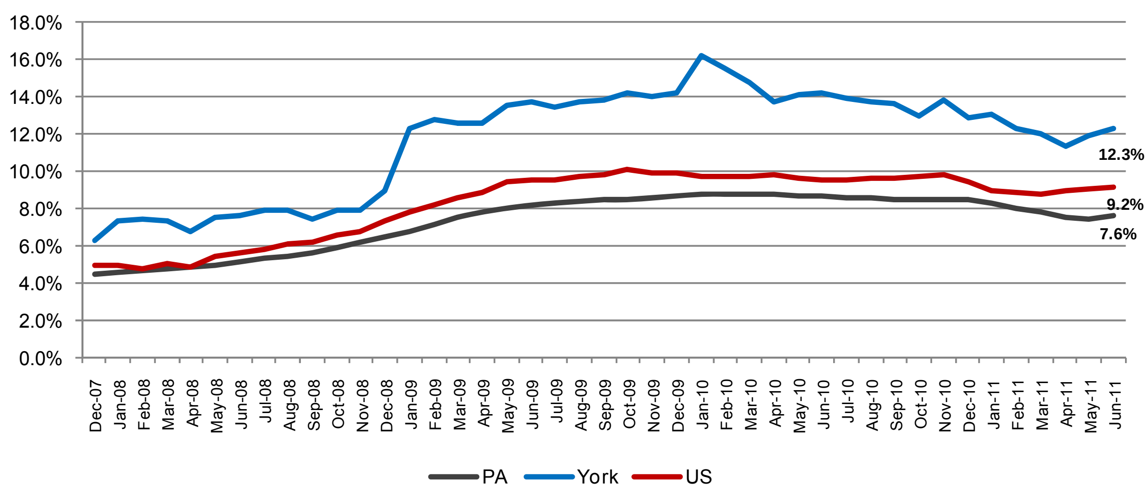
Nationally and regionally, the recent recession and the slow recovery from it have forced private and public sector entities to reduce their workforce or associated costs. Although job growth has been positive during the latter months of 2010, the U.S. economy has lost over 6.79 million net jobs overall since the start of the recession in December 2007. The number of long-term unemployed in July 2011 (those jobless for 27 weeks and over) was 6.2 million, 44.4 percent of unemployed persons.

Locally BAE Systems, a government contractor that builds and refurbishes all-terrain military vehicles, announced plans to lay off 50 employees at its West Manchester Township plant in February 2011. In mid 2008, Harley-Davidson laid off nearly 300 workers at its Springettsbury Township plant. By June 2010, the company had announced plans to lay off an additional 200 employees.

Since the start of the recession in 2007, the York metropolitan area has lost 10,328 jobs, or 4.7 percent of pre-recession employment.[37] In response to a steep reduction in state funding for 2011, York City School Board eliminated a host of elementary programs including physical education, art and music, negotiated a pay freeze with both teachers and administrators, furloughed nearly 90 teachers and increased property taxes by over 5 percent.[38]

According to the Bureau of Labor Statistics (BLS), the unemployment rate in the City of York was 12.3 percent in June 2011 (not seasonally adjusted), far above the City's 7.6 percent unemployment rate of June 2008. In June 2011, the City's unemployment rate was 4.7 percent higher than the Commonwealth and 3.1 percent higher than the nation. This continues the City's trend of having a higher unemployment rate than the Commonwealth and the nation.

City, State and National Unemployment Rate, December 2007 – June 2011



As a result of these economic pressures, governments across the Commonwealth are reducing workforce expenses:

[37] US Bureau of Labor Statistics, Local Area Unemployment Statistics.

[38] WGAL. "York School District Hiring Back Some Teachers." July 27, 2011; Michael Gorsegner. "Budget shortfall: York Schools cut 150 staff and raise taxes." WPMT. June 23, 2011.

- In a January 2007 agreement, the largest **Pennsylvania state employee unions** agreed to incrementally raise member contributions to health care premiums from 1.0 percent of gross pay to 3.0 percent by 2011. Employees participating in health management programs may qualify for lower contributions.

- For its FY2010 budget, the **City of Lancaster** adopted a salary freeze, increased employee health care premium contributions and cut headcount by 43 positions (or approximately 10 percent). The City has reduced its workforce by 15 percent since 2006.

- The **City of Reading's** FY2011 budget eliminated 25 positions, including 17 firefighter positions, in an effort to bring its budget into balance, even while increasing the property tax and earned income tax. Under the terms of the City's Act 47 Recovery Plan, an Act 111 arbitration panel issued an award in March 2011 that freezes firefighter wages for two years, freezes longevity and step increases for five years and puts a cap on the City's maximum monthly contribution to employee health care costs.

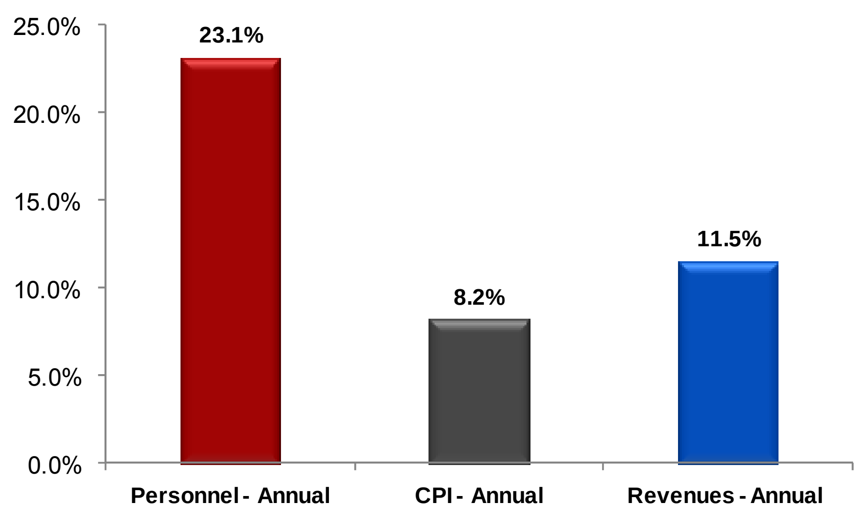
The City of York faces similarly difficult decisions to deal with the multimillion dollar deficits projected each year through FY2016.

Initiatives

When the first Early Intervention Plan was written for the City in 2006, the baseline projection showed an annual operating deficit of $1.6 million in FY2007, growing to $4.9 million by FY2010. The cumulative deficit for FY2007 through FY2010 was projected at more than $13 million. To help address the structural deficit without making dramatic layoffs and service cuts, the 2006 EIP included recommendations to achieve up to $2.75 million in workforce savings over 5 years.

Since 2006, the former and current administrations have taken steps to control personnel related costs. Even with these changes, personnel costs have grown at a faster rate than the revenues that are expected to cover them, even with property tax increases enacted each year since 2007.

Personnel Expenditures Growth Exceeds CPI and Growth in Revenues, 2006-2010



The City's ability to cut personnel costs dramatically in the short term, short of layoffs, is constrained by the staggered expiration of its labor agreements and the requirement that it make changes through collective bargaining process governed by Act 111 (police and fire) and Act 195 (non-uniform employees). However, the City is also constrained by the reality that it will not regain financial balance unless it reduces its expenses, the majority of which are related to its workforce. More changes are needed to give the City a chance to regain financial balance.

WK01.	**Restructure employee health insurance to reduce costs**	
	Target outcome:	Cost reduction and containment
	Five Year Financial Impact:	$2.7 million (8 percent cap savings target)
	Responsible party:	Business Administrator, Human Resources

The City's expenditures on employee health insurance are projected to increase 12.0 percent each year from 2011 through 2016 for a cumulative increase of 70.6 percent. The City's historical spending in this area and the national trend of double-digit increases in annual costs support this view that employee health insurance will be a major contributor to the City's projected deficit absent corrective action. Therefore the City's efforts to contain costs and close the projected deficit should start here.

The City should work toward a savings target that reduces the projected annual growth from 12.0 percent per year to 8.0 percent per year. Achieving that objective would reduce the City's projected health insurance expenses by $170,000 in 2013 (when all employees except FOP members would be affected), $1.0 million in 2015 (when FOP members would be affected) and $2.7 million over the five-year period.[39] This projection accounts for the staggered expiration of collective bargaining agreements. The savings are also discounted by 33 percent in the first year that the changes would take effect for each bargaining unit. A more aggressive five percent annual cap is also shown below to give a sense of magnitude.

Financial Impact – 8 Percent Cap

	2011	2012	2013	2014	2015	2016	Total
Discount % for CBA expiration	0%	70%	28%	28%	0%	0%	N/A
Fiscal Impact - General Fund	0	50,000	160,000	433,000	715,000	1,208,000	2,566,000
Fiscal Impact - Recreation Fund	0	2,000	10,000	30,000	44,000	60,000	146,000
Total Fiscal Impact	**0**	**52,000**	**170,000**	**463,000**	**759,000**	**1,268,000**	**2,712,000**

Financial Impact – 5 Percent Cap

	2011	2012	2013	2014	2015	2016	Total
Discount % for CBA expiration	0%	70%	28%	28%	0%	0%	N/A
Fiscal Impact - General Fund	0	98,000	312,000	835,000	1,360,000	2,267,000	4,872,000
Fiscal Impact - Recreation Fund	0	5,000	19,000	57,000	83,000	112,000	276,000
Total Fiscal Impact	**0**	**103,000**	**331,000**	**892,000**	**1,443,000**	**2,379,000**	**5,148,000**

[39] This is the impact on the City's General and Recreation Funds. The City's Internal Services Fund (i.e. the place from which the City pays health care providers) would have lower expenses but it would also have lower revenues (i.e. need less money to pay for health care).

Mechanically, the simplest way to achieve these savings would be to cap the City's contribution toward health insurance at a set amount ($X per month for single coverage, $Y for employee + 1, $Z for family coverage) and then adjust that cap by 8.0 percent each year. The City's capped contribution should include medical, prescription drug, vision and dental coverage and any taxes, surcharges, penalties, assessments and other charges related to employee health insurance. Any annual increases in excess of the cap would be absorbed by employees through increased premium contributions or reduced through health plan redesign.[40]

Two cost control strategies are plan redesign and changing employee contributions. Plan redesign can involve a more comprehensive change like moving to a different kind of health plan, as the City previously did with its new PPO, or smaller changes to deductibles, office copayments and other plan elements. Increasing employee contributions refers to increases in the monthly premium contributions that employees pay regardless of how much they use the service. The average monthly premium contribution for state and local government employees nationally was $85.18 for single coverage and $354.66 for family coverage in 2010. None of the City's existing employee contributions approach these amounts and members of the largest bargaining unit (Fraternal Order of Police) do not make any premium contribution.

Other specific options for reaching the savings target include:

- **Spousal health insurance carve outs:** This plan provision limits or eliminates health insurance benefits for a City employee's spouse if that spouse has access to health insurance through another employer. This has become an increasingly popular tool for public and private employers to control skyrocketing health care costs. Studies have determined that paying to insure employees of other organizations accounts for 5 to 25 percent of total health insurance costs.[41] Examples of cities with spousal carve-out provisions include Hays, Kansas; Greer, South Carolina; and Morgantown, West Virginia.

- **Dependent health insurance audits:** Dependent audits identify individuals that are continuing to receive City health coverage even though they are no longer eligible. In many cases, dependents remain on city employees' health plans even after divorce, death, reaching the cut off age or securing health coverage elsewhere. Annual health care costs for these individuals can range from an average of $3,000 to $5,000 per dependent.[42] Dependent audits can reduce the number of dependents covered by City health plans and thereby reduce City health claims. In general, dependent audits have the potential to cut between 5 and 12 percent of dependents from health plans. These audits have become an increasingly common strategy for large private employers and even some states to reduce health care costs. The states of North Carolina, Ohio and New Jersey have all performed dependent audits within the last two years.

- **Expanded employee wellness program:** The City has a limited wellness program for clerical and IAFF employees that could be enhanced and offered to more employees. A healthier workforce is more productive with fewer illness-driven absences and better morale. A healthier workforce also saves money in terms of fewer and less costly medical claims (particularly for self-insured employers) and less overtime to fill vacancies. As a result, wellness programs have become more common. According to a Kaiser

[40] The City would first need to consult with its health insurance consultant to find the monthly equivalent of its current spending level. The City is self-insured and it could not provide information on how much it contributes per employee per month.
[41] Gregg Bot. "Spousal Carve-Outs: A Hot Cost-Saving Trend for Employee Benefits? " Update Magazine. Winter 2007.
[42] Coresource. "Dependent Eligibility Audit." http://www.coresource.com/files/Dependent_Audit_Brochure_CS.pdf

Family Foundation survey, 74 percent of employers offering health insurance also offered at least one wellness program in 2010, up from 58 percent in 2009.[43]

A 2010 study found that medical costs fall by $3.27 for every $1.00 spent on wellness programs and that absenteeism costs fall by about $2.73 per $1.00 spent.[44] A 2009 report published by the American Heart Association estimated the potential return on investment of these programs between $3.00 and $15.00 per $1.00 spent.[45] It takes time to achieve the higher end of savings as more employees participate in the programs, change their behaviors and mitigate their risk of serious illness. To encourage employee participation in the program, the City could offer reduced premium contributions for employees who do so (i.e. 15 percent contribution for participants versus 20 percent for non-participants). Both the Commonwealth of Pennsylvania and the City of Pittsburgh use this kind of incentive structure.

- **Connect premium contributions to costs:** In addition to increasing employee contributions to health insurance premiums, the City should index employee contributions to the cost of providing health insurance.[46] Currently, employees pay a flat dollar amount toward health insurance, regardless of the actual cost of that coverage. If the cost of health insurance increases significantly on an annual basis, as it has historically, the City bears the full cost of the increase. The employee contribution remains fixed at a certain dollar amount.[47] Employee groups could structure their contributions so that the individuals' contributions vary relative to base salary so long as the City's total contribution to coverage for all employees in that bargaining group is reduced.

- **Provide lower cost options:** The City currently offers each bargaining unit only one health plan option (indemnity plan for IAFF and YPEA; PPO for all others). The City could offer a second health plan with lower premium costs, like a Citywide Health Management Organization (HMO) plan, that would allow healthier employees to pick a plan that meets their needs at a lower premium cost.[48] The City could also set its contributions to health insurance costs at a percentage of the lowest cost health insurance plan. Employees who want a more robust, more expensive health insurance plan could pay the higher costs associated with the better plan.

The City should also work with its external health insurance consultant and third party administrator to identify and implement other initiatives that are not subject to collective bargaining and would reduce costs. For example, the City could conduct an **eligibility audit** to ensure that only eligible employees, spouses and dependents are covered under employee health insurance plans. The City should also continue to participate in regional discussions on the potential **joint purchase of employee health insurance**. York has already discussed this possibility with a coalition of four other cities (Easton, Bethlehem, Lancaster and Reading).

[43] Kaiser Family Foundation. *Employer Health Benefits 2010 Annual Survey*, 2010. http://ehbs.kff.org/?page=charts&id=1&sn=11&p=1
[44] K. Baicker, et. al. "Workplace Wellness Programs Can Generate Savings." *Health Affairs, 29, no. 2*, 2010.
[45] M. Carnethon, et. al. "Worksite Wellness Programs for Cardiovascular Disease Prevention: A Policy Statement from the American Heart Association." *Circulation*, 2009.
[46] As noted above, the City should first work with its insurance consultant to determine the average cost of health insurance per employee per month for each bargaining unit since the City does not pay a premium in its self-insured structure.
[47] YPEA members with family coverage make a contribution equal to 2.9 percent of base salary. Because base salaries have not increased as much as insurance costs on annual basis, the City bears most of the additional costs.
[48] The City may need to adjust premium contributions first to provide employees with sufficient incentive to choose a different health plan. If employee premium contributions are too low, employees will not have an incentive to move to another plan.

WK02.	Cash compensation savings target	
	Target outcome:	Cost reduction and containment
	Five Year Financial Impact:	$4.2 million
	Responsible party:	Business Administrator, Human Resources

As described above, over the last 10 years, employees other than those represented by IBEW have received base wage increases in excess of the primary national inflationary index. City employees also receive additional cash compensation in the form of overtime, shift differential and longevity or tenure based payments. Given the size of the projected deficit, the City needs to control the growth in these costs. It could do so unilaterally by eliminating positions or it could so through collective bargaining. The latter is preferable.

Similar to initiative WK01, the City should set a savings target that it can achieve during the next round of collective bargaining. Initially, the changes would apply only to non-affiliated employees, who do not operate under a collective bargaining agreement. The savings grow in 2013 when the changes could be applied to all collective bargaining units except the FOP and again in 2015 when they could be applied to the FOP. The target shown below is equivalent to savings from a three-year wage freeze in which employees would only receive wage increases if they were promoted to currently existing positions. The City would need to freeze all other elements of wage increases – base salary or "across-the-board" increases, step increases and increases to longevity or tenure based payments. The target also includes savings related to overtime since employees would be compensated for working overtime at the frozen hourly wage rate during the first three years of their new agreement.

Financial Impact, All Major Funds

2011	2012	2013	2014	2015	2016	Total
0	137,000	467,000	809,000	1,317,000	1,507,000	4,237,000

To help achieve this savings target, the City should also consider other changes to cash compensation including:

- **Reducing paid holidays:** Most employees receive 14 paid holidays, which is six more than the private sector median and three more than the median for state and local government employees. Reducing the number of paid holidays will save the City money in departments where the City pays employees a premium for working on holidays. The holiday reductions would increase productivity where employees are given a paid day off.

- **Stronger overtime controls:** As noted above, the City's Fire Department restructuring plan is intended to reduce that department's use of overtime. Approximately half of the Police Department's overtime is budgeted as reimbursable. The balance of the City's overtime costs could be reduced further by reducing paid leave (i.e. vacation and sick days); adjusting overtime pay formulas to align with the Fair Labor Standard Act (FLSA) thresholds; and increasing management's flexibility to schedule employees and assign them duties, including the use of a light duty program for employees who are injured.

WK03.	Limit additional pension liabilities	
	Target outcome:	Pension cost reduction
	Five Year Financial Impact:	Not available
	Responsible party:	Business Administrator, Human Resources

Pension costs are another major driver of the City's projected deficit, especially once the temporary relief granted by the Commonwealth under Act 44 of 2009 expires in 2015. Commonwealth law currently requires the City to offer employees a defined benefit pension plan, and other Commonwealth statutes mandate the minimum level of benefits the City can provide. However, the City should be aggressive to limit further liabilities and future costs where it can, including the following:

- **Make annual Minimum Municipal Obligation payments on time:** Commonwealth law requires the City to deposit its MMO payment in its pension fund by December 31st of each year. As described above, the City has missed this deadline each year since 2007. Delaying the MMO payments has been one of the City's primary means for avoiding more severe budget balancing actions, such as layoffs, in the absence of sufficient revenue to cover the City's expenses on an annual basis. This delay translates to higher cash flow borrowings at the beginning of each year to cover prior year pension obligations (and higher interest payments) and additional penalties that the General Fund must pay to the pension fund. These additional costs make it even more difficult for the General Fund to support the current level of service. The City must break this cycle and make its MMO payments on time.

- **No pension enhancements:** Given the City's structural deficit, its recent inability to make required minimum pension payments by statutory deadlines and the distressed status of the City's pension funds, the City should not grant any pension benefit enhancements, prospectively or retroactively, in the collective bargaining process or otherwise.

- **Cheaper defined benefit plan:** If Commonwealth law continues to require that the City provide a defined benefit pension plan to employees, the City should work with its pension actuaries and attorneys to identify and pursue options to create new, cheaper pension tiers for future hires.

First, the City should review the pension plan provisions related to minimum retirement age, vesting requirements, payout formulas and other areas where the City may be providing benefits in excess of those required by Commonwealth law. Wherever that is the case, the City's pension benefits and employee contribution levels should be aligned with the Third Class City Code. The following tables provide an initial look at areas where that may not be the case.

Public Safety Plan Differences

	Third Class City Code	Fire	Police
Member Contributions	4% + 1% for survivors	6%	5%
Payout Formula	50% of Average Annual Compensation	52% of Average Annual Compensation*	50% of Average Annual Compensation

* York is exempt from this requirement as it enacted an Optional City Charter prior to the enactment of the 50% limit under Section 4393(a.1) of the Third Class City Code

Civilian Plan Differences

	Third Class City Code	Officers and Employees
Member Contributions	3% +1% for survivors	2%
Age and Service Requirement	Age 60 and 20 YOS	Age 60 and 5 YOS or 40 YOS regardless of age
Vesting Requirement	12 YOS	5 YOS

Establishing a cheaper pension plan for new hires may not have a significant impact on the City's financial situation during the five-year period covered in this EIP update. But the pension fund's distressed status and the City's inability to make required minimum pension payments on time show that the City's tax base cannot sustain the level of benefits currently offered. The City should take action where it can now to make its long term obligations more affordable.

Business Administration

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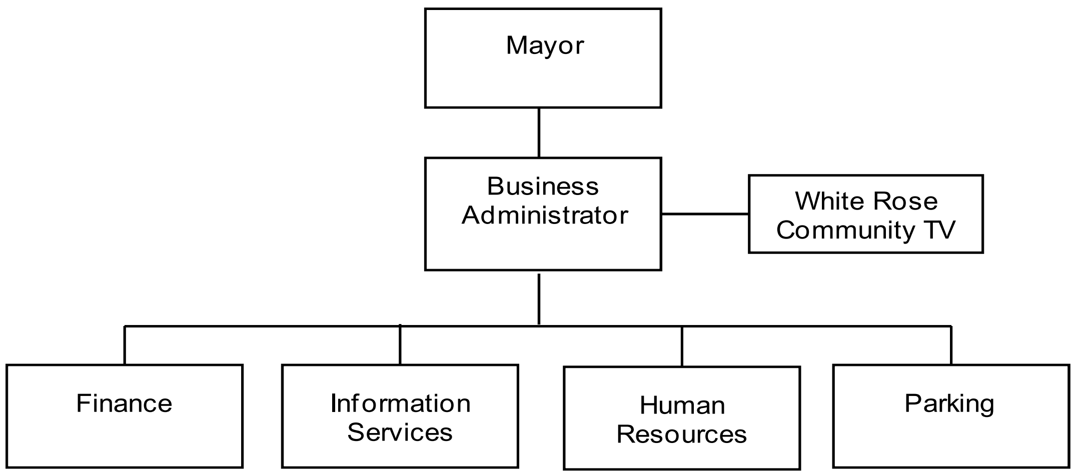
Business Administration

Overview

The Department of Business Administration coordinates all administrative functions for departments in the City. It is managed by the City's Business Administrator and consists of four areas – Finance, Information Services, Human Resources and Parking. The City of York's Annual Budget apportions the costs of providing administrative services to each City department through allocations to the Internal Services Fund. Enterprise and special revenue funds, such as the Sewer Fund and State Health Grant Fund, also reimburse the Internal Services Fund for these expenses. The Department of Business Administration also contains White Rose Community Television, the City's cable television station which broadcasts two channels throughout the County.

Organization Chart



Finance Bureau

Overview

The Bureau is responsible for budgeting, accounting, pension administration and debt management. Finance has primary responsibility in additional areas but often shares the duties with other parts of City government.

- **Service billing:** Finance bills residents for sewer and garbage collection services. Commercial wastewater pretreatment bills are issued through the City's Municipal Industrial Pretreatment Program (MIPP), which is part of the Department of Public Works. The City uses a private contractor for some kinds of delinquent sewer and garbage collection bills.

  Other departments handle billing and cash transactions related to the programs they manage. For example, the Department of Public Works collects fees for recreation programs and bills private daycare centers that operate out of the City's recreation centers. The Bureau of Planning, Permits and Zoning handles billing for plan reviews and subdivision related fees.

- **Parking management:** Working with the Parking Bureau, Finance handles parking registration, billing and fine collection for the General Authority.[49]

- **Payroll:** Finance processes the City's payroll, including producing and delivering paychecks or paystubs to employees. Human Resources collects and maintains the information that feeds into Finance's process.

Bureau Headcount

2006	2007	2008	2009	2010	2011
7	7	8	8	8	10

The City added two non-represented positions to the Bureau in 2011, a City Accountant I (which was vacant at time of publication) and a Finance Assistant.

The City Treasurer collects current year real estate taxes and the County collects delinquent real estate taxes. The York Adams Tax Bureau collects earned income tax, business privilege tax and local services tax.

The Bureau uses an in-house accounting and billing system created by the City's Information Services Bureau that links purchasing transactions to the City's chart of accounts, making it easier for the City to monitor spending as it occurs. The Bureau uses the same system to print checks and generate financial reports. Most of the other systems used by Finance, including those used for parking, sewer and refuse billing, operate independently of each other. The state of the City's financial systems and information technology is addressed further in the Information Services section.

Financial performance and projections

The table below shows the City's historic expenditures for the Finance Bureau. Since 2006 personnel costs have increased, partially as a result of additional part-time wages and overtime

[49] The Parking Bureau is addressed later in this chapter.

costs. Expenditures for contributions, refunds and other items (including dues and conferences and supplies and materials) have decreased since 2006, helping the Bureau maintain a relatively low expenditure growth rate of 11.1 percent from 2006 to 2010.

Historic Bureau Expenditures (General Fund)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	143,109	161,493	149,064	147,021	156,669	9.5%
Part-Time Wages	3,373	0	179	0	14,798	338.8%
Overtime	0	0	543	690	1,723	N/A
Leave Pay	33,769	25,438	30,782	25,782	42,918	27.1%
FICA	13,666	14,122	13,628	13,166	16,454	20.4%
Other Personnel	721	863	752	5	34	-95.2%
Professional Services	148,819	146,153	197,854	164,622	181,725	22.1%
Insurance Allocations	95,752	95,509	116,749	121,569	96,216	0.5%
Contributions	15,000	0	0	0	0	-100.0%
Refunds	8,665	7,427	2,859	10,840	4,633	-46.5%
Other	2,999	5,001	4,567	2,656	2,418	-19.4%
Total Expenditures	**465,873**	**456,006**	**516,976**	**486,351**	**517,589**	**11.1%**

The table below shows the projected expenditures for the Finance Bureau through 2016. The projections are based on the City's budgeted expenses for 2011. The growth rates are explained in the Plan Introduction.

Projected Bureau Expenditures (General Fund)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	222,902	228,663	234,572	240,635	246,854	253,234	13.6%
Part-Time Wages	3,900	4,001	4,104	4,210	4,319	4,431	13.6%
Other Pay	52,000	53,196	54,420	55,671	56,952	58,261	12.0%
FICA	21,744	22,306	22,882	23,474	24,081	24,703	13.6%
Professional Services	200,500	205,112	209,829	214,655	219,592	224,643	12.0%
Insurance Allocations	129,361	137,051	145,593	155,078	165,613	177,313	37.1%
Misc. Special Items	1,400	1,432	1,465	1,499	1,533	1,569	12.0%
Repairs/Maintenance	100	102	105	107	110	112	12.0%
Supplies/Materials	1,250	1,279	1,308	1,338	1,369	1,401	12.0%
Other	700	716	733	749	767	784	12.0%
Total Expenditures	**633,857**	**653,858**	**675,011**	**697,416**	**721,190**	**746,451**	**17.8%**

Successes and challenges

Since the 2006 EIP, the Bureau has reorganized and strengthened some of its functions. The City has a Grants Coordinator that provides a single point of contact for pursuing and managing all federal, state and private grants to the City. Although the position is budgeted outside of Finance, the Grants Coordinator works closely with the Bureau.[50] The Bureau has also improved

[50] The City budgets money for the Business Administrator, his administrative assistant, the Grants Coordinator and two positions associated with the White Rose Community Television Center under "Business Administration."

coordination with the Bureau of Human Resources and transferred some responsibilities to that unit.

The Bureau has focused on improving billing and collections to get the maximum amount of revenue possible from existing sources. The Bureau began billing for garbage collection in 2009, assuming the responsibility from a data processing company. The City's 2009 independent audit identified no errors or procedural problems in this new system.

The Bureau has become more aggressive in its pursuit of delinquent service charges. Finance currently works with a contracted collector, the Credit Bureau of York, to collect past due sewer and refuse bills. Recently, the Bureau has determined that greater delinquent revenues could be recovered and is developing a request for proposal (RFP) to explore other possible providers for delinquent sewer and refuse collection.

The Bureau successfully worked with the Administrative Office of Pennsylvania Courts (AOPC) to develop paperless citations, resulting in savings on the cost of paper-based forms and time involved in printing, signing and delivering citations. Similarly, the City now offers automatic payment options for sewer, refuse and parking bills. This option is rescinded from any individual who has had insufficient funds to cover payments twice. Other City bills can be paid by phone, cash, check or credit card. Electronic payments are not yet available but are being pursued with the assistance of the Information Services Bureau.

The Bureau produces an exceptionally detailed annual budget that includes descriptive, narrative cost allocations across multiple funds and historical analysis.

The Bureau's main challenges are related to investing in its primary tools – its people and its computer systems. The Bureau would like to improve cross training so that people and jobs can be shifted more easily. The City's financial systems are also outdated and not well integrated. This concern was echoed by at least one manager in nearly every department, signaling a citywide difficulty in this area. This problem is addressed in more detail in the Information Services Bureau section.

Initiatives

BA01.	**Improve online tax information and payment options**	
	Target outcome:	Improved taxpayer compliance and information
	Five Year Financial Impact:	Not applicable
	Responsible party:	Finance Bureau, Information Systems Bureau

The City of York website (www.yorkcity.org) provides basic information about the City's various taxes including penalty amounts, due dates, a tax calculator and payment information. However, the site does not list tax rates, forms and other relevant requirements in an easily accessible format. Forms are only accessible through an indirect link to the York Adams Tax Bureau accessible from the Treasurer's website. The York Adams Tax Bureau website has rules and regulations and filing forms for the Earned Income Tax, Business Privilege Tax and Local Services Tax, but does not directly provide information on filing and submitting payments for the City's major taxes, including the real estate tax and mercantile/business privilege tax.

Other large Pennsylvania cities offer a wider array of tax information on their websites. In addition, some municipalities, such as Lancaster, allow online payment for certain city taxes and fees. Tax information provided by York, these cities and other nearby cities are shown in the table below:

	York	Philadelphia	Pittsburgh	Lancaster	Reading
Penalties and Discount Info	**X**	X	X		X
Tax Contact Information	**X**	X	X	X	X
Tax Forms and Returns	**X***	X	X	X*	
Payment Calculator	**X**				
Tax Rate Listing		X	X	X	X
Listing of All City Taxes		X	X		X
Online Tax Payment		X	X	X	
Tax Rulings and Regulations		X	X		X
Refund Petitions		X	X		

*Provided indirectly through link to tax collection bureau

Over time the City should provide tax listings, rate information, forms, refund petitions, regulations and other pertinent taxpayer information about City taxes directly on its website and in an easily accessible location. This could include posting direct links to the websites of other related tax collecting entities such as the York County Assessment Office, the York City School District and the Pennsylvania Department of Revenue. In addition, the City should explore the feasibility of allowing online tax payment as an option for City taxpayers. Expanding online tax information can ease taxpayer compliance, increase transparency about City taxes and improve the efficiency of tax administration. Increasing taxpayer awareness and providing more convenient options to make payments would likely increase revenue by some amount, though no specific projection is offered here.

BA02.	**Develop formal financial policies**	
	Target outcome:	Improve financial management and create greater transparency of the finance system
	Five Year Financial Impact:	Not applicable
	Responsible party:	Finance Bureau

The City would benefit from establishing formal financial policies that articulate management's priorities, explain complicated processes and show how general principles translate to specific actions on a day-to-day, operational basis. In areas where the City already has strong financial management, written policies are still useful because they communicate those strengths to outside entities, like credit agencies, and make it more likely that those strengths will remain after the current managers leave government. One credit rating agency considers policies for contingency planning, use of non recurring revenues, debt management and retirement, capital funding and financial reporting to be "best financial management practices." In areas where the City's practices are weaker, writing the policies provides an opportunity for focused conversations between different parties (department managers, City Council, City Treasurer) that reach a constructive consensus for moving forward.

Given the Bureau's range of responsibilities, limited resources and the almost infinite number of potential policies, the City should identify a few priorities for action. The recommended areas for initial focus are:

- Interfund transfers and interfund borrowing, an integral part of the City's budget[51];

- Building and maintaining a balance in operating funds to reverse the trend of annual operating deficits; and

- Debt policies, which are addressed in the Debt Service chapter.

The Finance Bureau should convene a working group that includes a member of City Council, relevant managers outside the Department, such as the Treasurer or Controller, and someone from outside City government who can offer a different perspective. For example, the City's external auditing firm or an accountant from another large public entity (i.e. County, School District, Community College) would offer helpful insight for a financial policy governing interfund transfers. Given the favorable view that credit agencies have of formal financial policies, these policies would be part of a broader effort to improve the City's credit rating and reduce borrowing costs.

[51] Please see the Revenue chapter for a related initiative on interfund transfers from the Sewer funds.

Bureau of Information Services

Overview

The Bureau of Information Services provides technological support to City departments. Services include desktop, email and network support; database maintenance; custom report production; and telephone (land line and wireless) and server management. The Bureau creates in-house systems, purchases hardware and software and procures system maintenance contracts.

Bureau Headcount

2006	2007	2008	2009	2010	2011
6	6	5	6	6	5

Financial performance and projections

The table below shows the Bureau's expenditures since 2006. Personnel expenses account for approximately half of all annual expenditures. An 82.9 percent increase in leave expenses since 2006 has contributed to increased personnel costs. Professional services expenditures began in 2010 with the hiring of new network consultants. General contracted services have continually increased over the years as a result of the new software requiring maintenance contracts. Over time, capital equipment costs have fluctuated with the varying level of upgrades and purchases.

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	142,442	148,127	160,417	207,791	173,153	21.6%
Part-Time Wages	1,632	276	0	0	0	-100.0%
Leave Pay	16,227	19,994	15,971	23,150	29,686	82.9%
FICA	12,076	12,690	13,301	17,443	15,324	26.9%
Professional Services	0	0	0	0	12,349	N/A
General Contracted Services	40,825	51,250	52,733	61,230	74,313	82.0%
Supplies/Materials	15,870	17,660	18,728	26,135	24,828	56.5%
Capital Equipment	94,567	110,219	104,798	94,190	85,779	-9.3%
Other	3,849	3,774	3,912	3,887	3,858	0.3%
Total Expenditures	**327,487**	**363,989**	**369,861**	**433,827**	**419,291**	**28.0%**

The following table shows the projected expenditures for the Bureau through 2016. The projections are based off the City's budgeted expenses for FY2011. The growth rates are explained in the Plan Introduction.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	207,252	212,608	218,103	223,740	229,523	235,455	13.6%
FICA	15,856	16,266	16,686	17,117	17,560	18,014	13.6%
Professional Services	50,000	51,150	52,326	53,530	54,761	56,021	12.0%
General Contracted Services	95,000	97,185	99,420	101,707	104,046	106,439	12.0%
Rentals	2,175	2,175	2,175	2,175	2,175	2,175	0.0%
Supplies/Materials	25,000	25,575	26,163	26,765	27,381	28,010	12.0%
Capital Equipment	250,000	100,000	102,300	104,653	107,060	109,522	-56.2%
Total	**645,283**	**504,959**	**517,175**	**529,687**	**542,505**	**555,636**	**-13.9%**

Capital expenditures jumped from $86,000 in 2010 to $250,000 budgeted for 2011 with the expected purchase of a time-tracking system. Expenditures for professional services and contracted services also increased in 2011 due to additional network consultants and new software maintenance contracts.

Successes and challenges

Bureau management cited the following accomplishments:

- The Bureau recently transitioned from public IP addresses to standard internal numbers, providing a more secure internet system for several departments. It also outsourced website management to a private vendor and transferred responsibility for the City's website to the City's Department of Economic and Community Development. The site was previously maintained by City IT staff and updated irregularly by individual departments.

- In 2010 the Bureau purchased a new permitting system called "On Base" that the Bureau is working to implement with the Department of Economic and Community Development by late 2011 or early 2012. The new system will eventually allow the City to process permit and plan review requests through the City's website. The Bureau of Permitting, Planning and Zoning also hopes that On Base will enable the City to automate its property maintenance review process, so employees can report violations from their vehicles, generate citations or tickets on site and expedite the process.

The Bureau of Information Systems and the other units of City government it serves acknowledge the City's IT related challenges including:

- **Transitioning from old systems to new ones.** As an example, the Bureau is planning to convert from its eight year old email system to a more modern system and use Citrix to provide network access. The Bureau is planning to replace the current Digital Subscriber Line (DSL) system with one that uses a Virtual Private Network (VPN) − projected to save several thousand dollars per year. Such projects require upfront investments of time and resources to realize future savings.

- **Limited integration between sites and systems.** The information in the City's Geographic Information System (GIS) is not well integrated. Individual departments maintain their own property/owner information, so the same property may be listed multiple times in the system. The Bureau has to support operations at multiple locations around the City, a further drain on resources.

- **Vacant network administrator position.** At the time of departmental interviews, the goal was that the individual filling the Deputy Director of Information Services position would have network experience and assume some of this responsibility.

Initiatives

BA03.	**Develop an information technology improvement plan**	
	Target outcome:	Improved efficiency; improved service
	Five Year Financial Impact:	($500,000)
	Responsible party:	Information Services and user departments

The Bureau has several significant projects scheduled or underway, including implementing On Base, launching a new human resources system and replacing the existing email and network system. The other units that the Bureau serves have other ideas for new or different technology that may help them work better. For example, the Bureau of Planning, Permits and Zoning advocated for the City to purchase and distribute enough software licenses for the City's best geographic information systems (GIS) software so that planning staff can better review subdivision and development plans. The Fire Department noted that it has limited internet access which hinders its ability to share and access important information.

These projects add to the Bureau's regular workload of service requests and maintaining existing systems. Given the rapid pace at which technology develops, it is likely that the list of possible, worthwhile projects will expand before the Bureau can complete the projects already on it.

To prioritize the City's limited staff and financial resources on the most critical projects, the City should consider establishing an information technology improvement plan (ITIP), similar to a broader Capital Improvement Plan with a specific focus on systems and items for which the Information Services is responsible. The ITIP would list the possible projects, prioritize them and project the anticipated amount of time and money necessary to complete them, including training for employees who will use the new technology.

While the Bureau would take the lead in developing this document, other departments should participate in its formation. The City could convene a group of department representatives, including a member of City Council, who would solicit, review and rank projects according to established criteria (i.e. return on investment, impact on citizens, project cost, expertise available in house). Once complete, the Plan would provide a basis for the Bureau to track and communicate its progress to other parts of government.

The Plan's format and length can be adapted to meet the City's needs. The goal of this initiative is to help the City prioritize, communicate and act on critical IT projects, whatever form the Plan document takes. The document that the City produces initially can be improved and changed over time.

Case study:
City of Winston-Salem, NC IT Strategic Plan

"The I.T. Strategic Plan is intended as a road map for investments to support the strategic objectives of the City."

In 2008 the Chief Information Officer (CIO) for the City of Winston-Salem produced a Strategic Plan that outlined how the City would prioritize IT projects for 2009 – 2011. While the Information Systems Department has primary responsibility in this area, other departments participated in developing the Plan. The City prioritized potential projects based on how well they addressed six Focus Areas of strategic importance to City leaders (i.e. citizen convenience, disaster recovery). The City measures progress based on how well each project advances the City's goals in these areas and reassesses which projects can and should be funded in the annual budget. As the Plan notes, "It is not as important that all of these projects are completed over the next 3 years, as that we complete those projects that best serve our community."


Winston-Salem

Information Technology Strategic Plan
For
Fiscal Years 2009-2011

Until the City has a list of priorities, it is difficult to know how much money it will need in which years to act on the priority projects. It is likely that the needs will exceed financial resources for the next couple years. However, to ensure the City makes some investment in the technology that will help it serve its residents more efficiently and effectively, this update recommends the City plan to commit at least $100,000 per year over the next five years.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)

BA04.	**Review copiers, phone lines and other technology for excess capacity**	
	Target outcome:	Reduced expenses
	Five Year Financial Impact:	Not applicable
	Responsible party:	Information Services Bureau

The Bureau pays fees to lease copiers from outside companies but does not have a complete list of active leases, amount of machine usage or whether the machines are necessary. Other governments have identified similar excess capacity with phone lines, cell phones, pagers, fax machines and software licenses. The City should review its utility bills and leases to determine if it could reduce costs by shedding excess capacity. If the City does not have the internal capacity to conduct this audit, there are private companies that specialize in this kind of work and can also help the City identify other savings opportunities related to non-energy utilities. Some firms work for a percentage of captured savings, so the City can procure the firm's auditing services without incurring additional costs. Similarly, the Bureau should review its policies for distributing City-paid wireless phones to ensure phones are issued only when they are integral to the employee's duties.

Parking Bureau

Overview

In 1995 the City of York General Authority (CYGA) was created to operate the municipal parking system consisting of three parking garages, several surface parking lots and approximately 1,500 parking meters. The CYGA, whose seven board members are appointed by City Council, currently owns the lots and issues parking facility related debt. The CYGA receives all revenues generated from the parking lots, garages and meters. The City retains parking fine revenues.

For daily operations, CYGA contracts with the City's Parking Bureau which manages the parking system. The contract continues indefinitely, though the Authority has the option to terminate the contract with 30 days notice. The Parking Bureau is responsible for the enforcement, installation, fee collection and maintenance for approximately 1,500 parking meters. By ordinance, York City parking meters are in operation Monday to Friday, 8:00 a.m. – 5:00 p.m. and Saturday in the "Retail Zone" from 9:00 a.m. – 3:00 p.m.[52]

The City funds the Parking Bureau through its annual budget and the CYGA then approves and incorporates the Bureau's expenses into its own budget. The CYGA pays the City the direct cost of service for running the parking system, an administrative fee and reimbursements for capital expenditures each year.

Bureau Headcount

2006	2007	2008	2009	2010	2011
19	23	26	26	26	23

Bureau management notes that the majority of the City's public parking garages are not owned by the City or CYGA. As a result, the City must be sensitive to broader market rates for parking to remain competitive with other providers.

Financial performance and projections

The following table shows the City's historic expenditures for the Parking Bureau since 2006. Personnel costs account for the majority of the Bureau's expenses with salary and insurance allocations rising along with the headcount. Overtime and worker's compensation have risen since 2006 with overtime increasing by 235.8 percent and worker's compensation rising from zero to over $35,000 by 2010. Capital equipment costs have varied over the years, increasing significantly in 2009 with the purchase of new handheld devices and system upgrades. Conversely, general contracted services and maintenance costs have decreased since 2006.

[52] http://yorkcity.org/parking

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	249,200	249,973	258,002	323,531	333,113	33.7%
Part-Time Wages	56,151	65,330	95,644	90,317	98,649	75.7%
Overtime	9,570	6,768	2,226	27,140	32,131	235.8%
Leave Pay	52,870	46,001	50,969	65,368	71,815	35.8%
Workers' Compensation	0	0	4,704	33,992	35,105	N/A
FICA	27,956	27,892	31,111	40,871	43,205	54.5%
Other Personnel	3,830	4,495	5,035	4,350	4,182	9.2%
Insurance Allocations	288,197	319,337	353,786	356,323	360,344	25.0%
Electric Power	56,016	56,576	0	0	0	-100.0%
General Contracted Services	21,635	26,698	28,427	32,924	20,050	-7.3%
Repairs/Maintenance	7,842	5,807	7,988	11,235	5,584	-28.8%
Supplies/Materials	12,594	14,301	18,236	18,505	26,008	106.5%
Capital Equipment	1,195	8,714	13,032	36,978	3,334	179.0%
Capital Construction	0	0	0	0	16,900	N/A
Other	11,107	12,965	10,335	22,537	20,628	85.7%
Total Expenditures	**798,165**	**844,855**	**879,495**	**1,064,071**	**1,071,048**	**34.2%**

The table below shows the projected expenditures for the Parking Bureau through 2016. With the exception of $15,000 in vehicle lease expenses, all the expenses projected below will come from the City's General Fund. The projections are based off the City's budgeted expenses for 2011. The growth rates are explained in the Plan Introduction.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	513,232	526,496	540,104	554,063	568,382	583,072	13.6%
Part-Time Wages	107,667	110,450	113,304	116,232	119,236	122,318	13.6%
FICA	48,176	49,421	50,698	52,009	53,353	54,732	13.6%
Uniforms	4,848	4,848	4,848	4,848	4,848	4,848	0.0%
Insurance Allocations	459,866	492,055	527,804	567,506	611,599	660,569	43.6%
Training	200	205	209	214	219	224	12.0%
Printing/Binding/Postage	24,900	25,473	26,059	26,658	27,271	27,898	12.0%
Utilities	6,925	7,084	7,247	7,414	7,584	7,759	12.0%
General Contracted Services	40,500	41,432	42,384	43,359	44,357	45,377	12.0%
Repairs/Maintenance	11,850	12,123	12,401	12,687	12,978	13,277	12.0%
Supplies/Materials	30,800	31,508	32,233	32,974	33,733	34,509	12.0%
Capital Equipment	25,000	25,575	26,163	26,765	27,381	28,010	12.0%
Other	7,125	7,289	7,457	7,628	7,803	7,983	12.0%
Total Expenditures	**1,273,964**	**1,326,669**	**1,383,455**	**1,444,729**	**1,510,942**	**1,582,593**	**24.2%**

The City budgeted $180,000 (or 54.1 percent) more for salaries in 2011 than it spent in 2010. In 2010 the City budgeted $604,000 for full- and part-time salaries and only spent $432,000 because of vacant positions that were budgeted but not filled. If the City keeps these positions vacant for a significant part of 2011, the actual spending on employee salaries will again be lower than the $620,000 budgeted. The same is true of the apparent increase in health insurance costs which are budgeted at $460,000 in 2011 after the City only spent $360,000 in 2010. Vacancies would reduce the City's actual spending in this area.

Successes and challenges

The City has upgraded its parking system as part of its economic development strategy. In 2008 CYGA issued a $5.0 million promissory note to renovate its facilities, particularly the Market Street Garage. The renovations include entrance and exit ramp reconfiguration, security enhancements and a new electronic pay station. The pay station will allow the Authority to collect revenue without needing to have staff on hand. Similar projects are planned to renovate the Philadelphia Street Garage and the King Street Garage. The Philadelphia Street Garage renovations count toward the City's required contribution to the Northwest Triangle Corridor redevelopment.[53] In 2010 the City certified all parking meters, and recertification will occur triennially with one-third of all meters checked each year.

As recommended in the 2006 EIP, the City also changed elements of its parking system to increase revenue. While raising the cost of parking must be balanced with the impact on City businesses relative to suburban competitors, the City also needs to maximize its non-tax revenues to help address the structural weaknesses and limitations of the current tax system.[54] Therefore, the City instituted a parking tax, increased parking rates and violation fees and began levying fines instead of towing vehicles for street cleaning related parking violations[55]. Meters have been updated to no longer leave extra time on a meter when a car leaves a parking spot.

To balance the objectives of using parking to encourage economic activity and using parking to increase revenue, the Administration and Council have recently changed meter enforcement hours. Effective January 2011, parking meter enforcement hours ended at 5:00 p.m. instead of 6:30 p.m. during the week. The hours for Saturday meter enforcement changed from 8:00 a.m. – 6:30 p.m. to 9:00 a.m. – 3:00 p.m.

Bureau management has also sharpened its focus on controlling expenses. Closer supervision of overtime is a priority, and the Bureau was able to cut the cost of salt purchases in half by changing the timeline for placing orders.

Workforce management issues remain a challenge for the Bureau. Management noted the impact that missing enforcement officers who are on worker's compensation has on the City's ability to collect parking revenue.

A future goal of the Bureau is to enable online payment of parking tickets and violations. Individuals can now view the status of a ticket on the City's website but cannot pay the fee online. This will require collaboration between the Finance, Information Services and the Parking Bureaus.

[53] Please see the Department of Economic and Community Development Chapter for more information on this effort.

[54] This is discussed in detail in the Revenue Chapter.

[55] Example: A car is parked on a street that is scheduled for cleaning, blocking the street sweeper.

Initiatives

BA05.	Maintain parking system support for General Fund	
	Target outcome:	Increased revenues
	Five Year Financial Impact:	$1.5 million
	Responsible party:	Business Administration, General Authority

As noted above, the City established the CYGA to own and operate the City's parking system and issue debt related to it. While the Authority is a separate entity from the City, the two are closely related. CYGA Board members are appointed by City Council and the Authority contracts with the City to operate the parking system through the Parking Bureau.

The current financial arrangement is that the CYGA receives parking related revenues (except fines) and then pays the City to operate the parking system through a service agreement. The City budgeted $1.0 million for this Authority payment in 2011. According to the Authority's financial statements, CYGA paid the City $1.0 million in 2009, which includes $141,000 to cover the City's administrative costs.[56] Once that administrative fee is removed from the $1.0 million payment, the remaining amount would cover 68.6 percent of the City Parking Bureau's FY2011 budget.

Budgeted Authority payment for FY2011	$1,014,336
Minus Administrative Fee	-$141,000
Net amount (A)	$873,336
FY2011 Parking Bureau Budget (B)	$1,273,964
Percent of Bureau Budget covered (A/B)	**68.6%**

If the City spends less than budgeted as was the case in 2010,[57] then CYGA's payment actually covers a higher percentage of the Bureau's costs. The City also collects parking fine revenues (budgeted at $1.3 million in 2011) to help cover the remainder of the system's costs.

In addition to this operating payment, the Authority has been making a second payment to the City to cover debt service related to a 1998 Parking Revenue Note. This is sometimes described as an "ownership payment" where the Authority pays the City for the right to own the parking system. The Authority will make the last payment of this kind to the City in 2011. The end of this debt contribution arrangement helps the Authority financially, but it hurts the City.

According to the Authority's most recent financial statements, the Authority collected $1.9 million in parking fees in 2009. The Authority paid $1.0 million to the City under the aforementioned operating agreement and another $791,000 for debt. Adding those expenses to the Authority's $119,000 administrative costs[58] gives a total of $1.9 million, approximately equal to what the Authority received in parking system revenue.

[56] City of York General Authority Financial Statements for 2008 and 2009, page 12.

[57] In 2010 the City budgeted $1,153,657 and reportedly spent $1,071,048.

[58] These are the Authority's own administrative costs, separate of the administrative fee it pays the City.

While the CYGA will no longer pay the City money for the 1998 Revenue Note, the CYGA has new debt of its own. It issued a Promissory Note for $5.0 million in 2008 to make capital improvements to the system, especially the Market Street Garage. According to the Authority's financial statements, it owes $3,659,000 in debt ($2.5 million in principal) on this 2008 Note from 2012 through 2028.

Debt Service on 2008 Promissory Note

Year	Principal	Interest	Debt Service
2012	$99,893	$115,338	$215,231
2013	$104,639	$110,593	$215,232
2014	$109,609	$105,622	$215,231
2015-2019 (total)	$631,278	$444,881	$1,076,159
2020-2024 (total)	$796,156	$280,002	$1,076,158
2025-2028 (total)	$784,221	$76,635	$860,856
Total	**$2,525,796**	**$1,133,071**	**$3,658,867**

The City is considering restructuring its current arrangement with the Authority.

One option is for the City to dissolve the Authority and begin collecting the parking fees that the Authority currently receives. If the City dissolved the Authority, it would have to assume the administrative costs that are currently borne by the Authority ($119,000 in 2009) and the Authority's debt related to the 2008 Promissory Note (approximately $215,000 per year) for the subsequent decade. The City would retain the parking system revenues for itself ($1.9 million in 2009) and use them to cover the Parking Bureau's expenses. A simple projection of net revenues to the City is shown below using the 2009 revenues and expenses shown in the Authority's financial statements. If the City's expenses grew at a faster pace than its revenues, then the net revenue would be less than shown here.

Simple Projection – Net Revenues to City under Authority Dissolution

Component	Amount	*Explanation*
Parking revenues	$1,909,000	*Parking fees*
Operating expenses	-$859,569	*System expenses*
Existing administrative expenses	-$141,000	*City administrative costs (IT, Finance, HR)*
New administrative expenses	-$119,430	*Authority administrative costs*
Debt service costs	-$215,232	*Debt service per year*
Net revenues to City	**$573,769**	

However, before the City dissolves the Authority, it should also consider the drawbacks and other complications associated with this move. Public authorities are generally created so that it is easier for local governments to issue debt for and make capital investments in a specific revenue generating activity. If the General Authority was dissolved, the City would have to issue any parking related debt on its own to build new facilities or maintain existing ones. Also, the Authority may have other operating and financial obligations not addressed in this very simplistic explanation. The City should meet with the Authority's leadership to identify these issues as part of its analysis of dissolution.

A second option is for the City and CYGA to agree for the Authority to increase its annual contribution to the City. The Authority could contribute a set amount to the City over and above the amount it pays the City to operate the system. The contribution could be a payment in lieu of taxes since the Authority has valuable, revenue generating property (similar to a private business) but, as a public entity, does not pay property taxes.

The City should also explore other structural alternatives. Given the existence of a private parking market in the City, it may be possible for the City or Authority to enter into a long-term lease of the parking system or even sell the garages. This arrangement could be structured with an up-front payment to make a needed long-term investment or as an ongoing stream of payments to support the City's operating budget. A final option would be to evaluate outsourcing the management of parking services.

Whatever the desired solution, it is appropriate for the City to seek additional revenue from the Authority given the City's projected deficit. If the City government is struggling to provide basic services, such as public safety and road maintenance, the City's ability to retain employers and attract visitors will be diminished and the Authority's efforts to run a viable, efficient parking system will be undercut. The two entities should work together toward a solution that maintains diverse, affordable parking options for residents, workers and visitors without losing sight of the City's other core functions. Based on the simple projection shown above, the City and Authority should work toward a target additional contribution of at least $300,000 beginning in 2012.[59]

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	300,000	300,000	300,000	300,000	300,000	1,500,000

[59] This amount is commensurate with the Authority's growth in net assets in2008 ($633,000) and 2009 ($343,000) according to page 2 of its financial statement.

Human Resources

Overview

The Human Resources Bureau (HR) is responsible for the recruitment, selection and placement of new City employees. The Bureau determines the classification and compensation of all employees as established by the City's collective bargaining agreements and ensures equal employment opportunities. The Bureau is also responsible for employee relations, attendance management, benefits administration and personnel records management. HR shares payroll processing responsibility with the Finance Bureau. Monitoring personnel policies and procedures and maintaining a good working relationship with the collective bargaining units are important aspects of the Bureau's duties.

Bureau Headcount

2006	2007	2008	2009	2010	2011
3	3	3	4	4	4

Human Resources is located in the 1 Marketway West building and is separate from the other Business Administration bureaus that are currently located at 55 West King Street (City Hall). The Bureau is implementing a telestaff system that will allow police, fire and public works employees to call-in to report overtime and sick leave. The system is also capable of calling individuals to offer overtime hours to those willing to work.

Financial performance and projections

The table below shows the City's historic expenditures for the Human Resources Bureau since 2006. Nearly all Bureau expenses are in the City's Internal Services Fund. The majority of these expenses are for its own staff, though employee insurance expenses are budgeted elsewhere. The Bureau's professional service expenses, which vary significantly from year to year, include costs related to collective bargaining and arbitration. Travel expenses for training and professional association meetings increased in 2008 but significantly decreased in 2009 as the position of Deputy Business Administrator for Human Resources was vacant. Travel expenses increased again in 2010 as expected.

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	99,097	90,848	97,227	78,085	127,024	28.2%
Overtime	0	0	0	0	10	N/A
Leave Pay	13,935	14,048	17,030	10,100	10,404	-25.3%
FICA	8,537	7,905	8,601	6,682	10,404	21.9%
Professional Services	79,140	167,795	99,602	108,859	199,413	152.0%
Travel	223	105	1,425	79	1,406	531.8%
Training	1,511	3,703	3,421	3,105	1,058	-30.0%
General Contracted Services	11,650	9,807	20,878	21,225	11,831	1.6%
Rentals	9,202	9,023	9,233	12,929	12,834	39.5%
Advertising	14,964	11,788	12,484	1,740	6,594	-55.9%
Supplies/Materials	1,583	2,142	2,531	2,335	3,957	150.0%
Other	1,039	754	1,282	361	1,875	80.5%
Total Expenditures	**240,880**	**317,917**	**273,715**	**245,500**	**386,812**	**60.6%**

The table below shows the projected expenditures for the Human Resources Bureau through 2016. The projections are based on the City's budgeted expenses for 2011. The growth rates are explained in the Plan Introduction.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	170,329	174,731	179,247	183,880	188,632	193,507	13.6%
FICA	13,029	13,366	13,711	14,066	14,429	14,802	13.6%
Professional Services	225,000	230,175	235,469	240,885	246,425	252,093	12.0%
Training	15,000	15,345	15,698	16,059	16,428	16,806	12.0%
General Contracted Services	30,000	30,690	31,396	32,118	32,857	33,612	12.0%
Rentals	7,235	7,235	7,235	7,235	7,235	7,235	0.0%
Advertising	6,000	6,138	6,279	6,424	6,571	6,722	12.0%
Supplies/Materials	5,100	5,217	5,337	5,460	5,586	5,714	12.0%
Other	5,000	5,083	5,167	5,252	5,340	5,429	8.6%
Total Expenditures	**476,693**	**487,980**	**499,539**	**511,378**	**523,503**	**535,921**	**12.4%**

From 2010 to 2011, the City increased its training allocation to train supervisors in discipline and grievance arbitration and to develop a customer service policy. The City also increased its contractual services allocation to administer police and fire civil service examinations.

Successes and challenges

Because the Bureau administers employee health benefits, it is integral to the City's efforts to manage the workforce costs that make up the majority of the City's total expenses. The Bureau administered the City procurement process through which the City reduced the fees on its prescription drug program. The City issued a request for proposal for a new insurance carrier and the existing carrier won the bid by lowering its fees. The Bureau now works with a third party administrator (TPA) that manages the City's vision and dental programs and a benefits specialist as recommended in the 2006 EIP. The Bureau also has a health insurance consultant that helps reduce costs and improve service for employees.

Administering different health insurance plans remains a challenge for the Bureau. While there are only two health plan products offered, an indemnity plan and a Preferred Provider Organization (PPO) option, other benefits such as co-pays, premium contributions and deductibles are bargained separately and vary by unit. This variance in plan design and contribution levels adds complexity to administering the plans. Additionally, only two groups (YPEA and IAFF) have a wellness plan. Given the Bureau's small size with only one person focused exclusively on health benefits, this variety of options creates an administrative burden for the City. The Workforce chapter discusses employee health insurance costs in more detail and makes recommendations for controlling these costs.

The Human Resources Bureau recently reviewed the status of all employees to determine where the City was providing compensatory time to employees to whom that benefit was not due. The Bureau wants to build on this progress by completing a comprehensive pay, benefits and leave study that would compare York's compensation levels to those of other cities. If the City could develop performance measures for its non-public safety units, the compensation study and measures could form the basis for a more merit based pay system.

The Bureau is also reviewing a RFP for an electronic citywide timekeeping system that is expected to reduce overtime costs by 30 percent. Additionally, the Bureau's system used to manage leave accruals has been ineffective. The current system allocates all leave in the beginning of the year and does not update automatically throughout the year. This results in a very manual data entry process that lends itself to frequent errors.

Initiatives

Although the initiative section shown here is short, there are many initiatives relevant to Human Resources in other parts of this EIP. HR would be very active in the initiatives described in the Workforce chapter, particularly those related to employee health insurance. The Bureau should also participate in the information technology prioritization process described earlier in this chapter given its need for new leave management and timekeeping systems.

BA06.	**Complete a comprehensive compensation comparability study**	
	Target outcome:	Information to restructure compensation
	Five Year Financial Impact:	($100,000)
	Responsible party:	Human Resources

The Deputy Business Administrator for Human Resources stressed the value of conducting a comprehensive compensation study that would provide insight on how York's compensation levels compare to other third class cities and other employers in the local labor market. Such a study involves more than simply looking at base salaries. The full cost of compensation includes the level of health benefits provided and cost sharing structure; the amount of paid leave; and the cost to the City of providing defined benefit pension plans and other post-employment benefits. Any study that does not take these factors into account would present an incomplete view of the City's total compensation package.

The cost of such a study will vary depending on when the City issues a request for proposal and which job classifications are included. In the immediate term, the City has to bring its finances into balance and improve the systems it uses to manage paid leave and time keeping. However, the City should keep this study as a priority, even if it can only afford to conduct the study on a portion of the job classifications each year. The projections below integrate the cost of such a study into the City's five year financial picture.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	0	0	(50,000)	(50,000)	0	(100,000)

BA07.	Project costs associated with collective bargaining proposals, arbitration awards and grievance awards	
	Target outcome:	Controlling costs
	Five Year Financial Impact:	Not applicable
	Responsible party:	Human Resources

One critical determinant for what the City offers during collective bargaining or arbitration is what the City can afford to pay over the period of the contract discussed. By Commonwealth law, the City's ability to pay is not a formal criterion upon which arbitrators can base their award. However, at a minimum the City needs to have that information to shape its own bargaining position and then evaluate the impact that any arbitration award will have on the City's overall financial position over a three- to five-year period.

The Bureau of Human Resources should be involved in the City's collective bargaining process so it can provide these projections at a level of detail that is not overly onerous to compile but adequately considers the associated impact of proposed or awarded changes in compensation. For example, a base wage increase of 2 percent impacts more than the just base wages. It increases overtime costs as employees' hourly wage rates rise and increases pension liabilities as the average annual compensation upon which pension benefits are based rises. It also increases costs that are indexed to base salary, like payroll tax liabilities. As another example, a proposal that only focuses on wage increases and does not address employee health insurance overlooks a large cost driver.

White Rose Community Television

Overview

White Rose Community Television (WRCT) is a public, educational and government access (PEG) station providing two cable channels that broadcast 24 hours a day, 365 days a year. The channels reach 55 of York County's 72 municipalities.[60]

The station uses a dark fiber network that allows it to broadcast live from York City Council Chambers, City Hall, the York County Administration Center, the Martin Library, the Crispus Attucks Community Center and the Pullo Family Performing Arts Center at Penn State-York. WRCT is capable of streaming its video over the internet and offers Video On Demand files.

WRCT became part of Business Administration with a paid Project Manager in 2006. Although many station operations are staffed by a core of approximately 30 volunteers, the City added a full-time position to the station in 2009, increasing the number of WRCT employees to two. In 2011, WRCT will move its station to the Rotary Kranich building. The move would be funded as part of the 2011 bond issue discussed in the debt chapter of this Plan.

Financial performance and projections

The City collects and spends money related to the station through its White Rose Community Television Fund that is separate from the City's major operating funds. As a result, the WRCT's financial results are not included in other parts of this EIP that discuss the City's broader financial performance.

The station's main source of revenue is a portion of the City's cable franchise fees. In 1973 the City entered into a franchise agreement with the local cable company under which the City receives five percent of gross revenues, or $366,000 in 2010. Of that amount, about 15 percent, or $57,000 in 2010, supports WRCT's operations. In 2010 the City also received a one-time $150,000 private contribution to help fund the station's operations, including personnel and equipment costs. The station's expenses and revenues since 2006 are shown below.

Historic Revenues and Expenditures (WRCT Fund)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Licenses & Permits	0	40,094	33,281	61,930	57,473	NA
Interest	3,823	2,661	596	195	0	-100.0%
Intergovernmental Revenues	0	0	30,476	22,845	0	NA
Contributions/PILOTs	6,892	21,571	1,475	21,450	150,985	2090.7%
Total Revenues	**10,715**	**64,327**	**65,828**	**106,420**	**208,458**	**1845.5%**
Full-Time Salaries/Wages	27,846	41,716	56,557	65,853	82,452	196.1%
Leave Pay	1,385	1,609	3,178	5,149	3,736	169.8%
FICA	2,236	3,313	4,561	5,420	6,566	193.6%
Professional Services	1,300	8,495	0	8,549	8,304	538.8%
Insurance Allocations	0	20,919	33,318	32,665	29,793	N/A
Capital Equipment	8,875	2,860	2,435	15,620	10,860	22.4%
Other	4,601	3,959	1,934	3,663	2,559	-44.4%

[60] Department of Business Administration. "White Rose Community Television 2010 Annual Report."

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Total Expenditures	**46,243**	**82,872**	**101,983**	**136,919**	**144,270**	**212.0%**
Net Expenditures	**(35,528)**	**(18,545)**	**(36,155)**	**(30,499)**	**64,188**	**-280.7%**

With the exception of 2010, the WRCT Fund has operated at a deficit, which means it has drawn money from the City funds with a positive balance. That trend is projected to continue in the future. The projections are based on the City's budgeted expenses for 2011. The growth rates are explained in the Plan Introduction.

Projected Revenues and Expenditures (WRCT Fund)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Licenses & Permits	60,000	60,600	61,206	61,818	62,436	63,061	5.1%
Intergovernmental Revenues	60,000	60,000	60,000	60,000	60,000	60,000	0.0%
Contributions/PILOTs	12,500	12,500	12,500	12,500	12,500	12,500	0.0%
Total Revenues	**132,500**	**133,100**	**133,706**	**134,318**	**134,936**	**135,561**	**2.3%**
Full-Time Salaries/Wages	86,481	88,716	91,009	93,361	95,774	98,249	13.6%
Other Pay	1,900	1,944	1,988	2,034	2,081	2,129	12.0%
FICA	6,616	6,787	6,962	7,142	7,327	7,516	13.6%
Professional Services	8,500	8,696	8,895	9,100	9,309	9,524	12.0%
Insurance Allocations	33,000	35,283	37,818	40,633	43,760	47,233	43.1%
Supplies/Materials	3,750	3,836	3,924	4,015	4,107	4,202	12.0%
Capital Equipment	11,500	11,765	12,035	12,312	12,595	12,885	12.0%
Other	725	742	759	776	794	812	12.0%
Total Expenditures	**152,472**	**157,767**	**163,391**	**169,373**	**175,747**	**182,549**	**19.7%**
Net Expenditures	**(19,972)**	**(24,667)**	**(29,685)**	**(35,055)**	**(40,811)**	**(46,988)**	**135.3%**

Successes and challenges

The White Rose Community Television station has grown significantly since it became part of City government in 2006. One major change is the station's new location. After over 20 years in the Comcast Technical Field Office, the station lost its space and relocated to a community building. The station plans to relocate again to a new facility.

The most consistent and pressing challenge for WRCT is funding. Although the station seeks funding from organizations and municipalities in the County that broadcast from the station, WRCT has had limited success. In 2011, the York County Board of Commissioners did commit $30,000 to the station for the first time, which is included in the intergovernmental revenue projected above. Additionally, as the station moves to its new location, it will need building security, an additional expense that is not included in the projections.

Another challenge for WRCT is its outdated equipment. New equipment is expected to be funded as part of the City's 2011 bond issue and should eliminate some of this problem. WRCT is not currently able to stream shows to Apple products but would like to do so in the future.

Initiatives

BA08.	Generate sufficient revenue phase out General Fund subsidy	
	Target outcome:	Increased revenues
	Five Year Financial Impact:	$161,000
	Responsible party:	White Rose Community Television

With the exception of 2010 which was supported by one-time revenue, WRCT has run a deficit each year since 2006 and it is projected to continue doing so through 2016. As a result of this deficit, the General Fund (or some other operating fund) must transfer money to WRCT annually. While this General Fund subsidy will be a small portion of the $40.0 million General Fund, this represents another area where the General Fund will be covering a deficit from another fund. WRCT staff should make it a priority to generate enough revenue to sustain its operations without the General Fund subsidy. To the extent that staff is successful in raising additional revenue, this could enable the station to invest in new or better equipment.

Options for increase revenue include:

- Collecting fees to broadcast events for public entities other than the City and County, which already support the station (i.e. York City School District).
- Charging a nominal user fee to private individuals who use the station to produce programs. This fee could be higher for non-City residents who do not contribute to the City's General Fund.
- Offering private organizations the opportunity to underwrite certain programs. The PEG station for Berks County and the City of Reading lists over 40 public and private organizations that underwrite programming on that channel. Some of those organizations have a national or statewide reach and could be prospects for WRCT.
- Selling advertising space on WRCT's website.
- Selling air time to other community organizations (i.e. York College of Pennsylvania, Penn State-York, York County Convention and Visitors Bureau).

The projected impact below assumes WRCT will generate half of what it needs to eliminate the General Fund subsidy in 2012, 75 percent of the subsidy in 2013 and 100 percent thereafter.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	13,000	23,000	36,000	42,000	47,000	161,000

Police Department

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Police Department

Overview

The York Police Department is the primary law enforcement agency in the City of York. The Department is charged with prevention of crime, protection of life and property, preservation of peace, order and safety, enforcement of laws and ordinances and the safeguarding of constitutional guarantees. The Department handles initial call response (patrol), follow-up investigations (detective) and a range of services to the community (community policing, school resource officers, animal control, etc.).

In February 2011, the City contracted with Police Executive Research Forum (PERF) to explore a possible regional police merger, shared service opportunities and other ways to make the Police Department more efficient. The report is expected to be released in late 2011 and will provide specific operating recommendations for the Department. This chapter provides the same historical and projected financial figures that appear for other departments throughout this report, however does not address operational issues that will be covered in the PERF report.

Department Headcount

	2006	2007	2008	2009	2010	2011
Police (w/out Crossing Guards)	117	118	125	130	128	128
School Crossing Guards	N/A	23	23	22	24	28
Total	**117**	**141**	**148**	**152**	**152**	**153**

Financial performance and projections

The table below shows the Department's historic expenditures since 2006. As of 2010, personnel expenses account for 93 percent of departmental expenditures. Overtime expenses more than tripled during this time (208.2 percent increase or $813,938) while insurance expenses rose by $881,111 (36.0 percent).

Historic Department Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	4,696,012	5,018,040	4,869,868	5,541,780	5,465,851	16.4%
Part-Time Wages	81,761	80,959	88,976	95,548	99,396	21.6%
Overtime	390,875	795,967	1,285,404	1,374,501	1,204,813	208.2%
Shift Differential	72,174	78,974	100,508	107,976	102,480	42.0%
Leave Pay	1,155,713	1,146,183	1,352,303	1,497,087	1,456,403	26.0%
Workers' Compensation	60,266	9,753	34,150	54,471	45,438	-24.6%
Other Pay	521,927	282,639	0	0	109	-100.0%
Employee Benefits	49,261	0	0	0	0	-100.0%
FICA	121,431	131,571	141,183	161,735	158,977	30.9%
Pension	2,949,964	2,988,309	1,066,251	3,120,389	3,244,829	10.0%
Uniforms	88,554	69,193	107,735	129,191	136,193	53.8%
Tuition Reimbursement	5,248	3,990	9,728	5,073	5,995	14.2%
Professional Services	1,364	2,681	2,843	2,437	20,726	1419.5%
Insurance Allocations	2,444,278	2,679,252	2,686,604	3,156,939	3,325,389	36.0%

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Personnel subtotal	**12,638,828**	**13,287,511**	**11,745,553**	**15,247,128**	**15,266,600**	**20.8%**
Civic Expenses	10,000	125,535	25,983	387,990	235,925	2259.3%
Training	16,868	18,074	18,881	14,071	28,123	66.7%
Contributions	1,342	454	0	0	0	-100.0%
Fuels	3,700	3,555	0	0	0	-100.0%
Property/Liability Insurance	75,000	75,000	75,000	75,000	175,000	133.3%
Utilities	2,030	1,311	2,943	3,986	2,824	39.1%
Electric Power	1,713	1,925	0	0	0	-100.0%
General Contracted Services	116,985	104,626	160,810	174,041	221,259	89.1%
Repairs/Maintenance	3,178	3,000	1,860	4,112	13,153	313.9%
Rentals	33,738	37,289	44,480	40,438	48,382	43.4%
Supplies/Materials	56,986	67,671	55,725	93,827	92,461	62.3%
Capital Equipment	0	387,041	140,571	316,281	250,622	--
Other	18,887	10,198	40,407	85,081	111,944	492.7%
Total Expenditures	**12,979,256**	**14,123,192**	**12,312,214**	**16,441,956**	**16,446,294**	**26.7%**

The table below shows the projected expenditures for the Police Department. The projections are based on the City's budgeted expenses for FY2011. The growth rates are explained in the Plan Introduction. The City budgeted $648,000 for overtime after spending just over $1.2 million in 2010, a reduction of over 46 percent. The City now budgets leave, workers' compensation and other types of pay under full-time salaries and wages. Although not shown in the table below, the City budgeted an additional $5.2 million in 2011 for renovation and conversion of the current City Hall into Police Headquarters.

Projected Department Expenditures (All Funds)

Category	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	7,340,489	7,530,203	7,724,820	7,924,468	8,129,275	8,339,375	13.6%
Part-Time Wages	139,664	143,274	146,976	150,775	154,672	158,669	13.6%
Overtime	648,126	664,877	682,060	699,688	717,771	736,322	13.6%
Shift Differential	112,500	112,500	112,500	112,500	112,500	112,500	0.0%
Leave Pay	60,000	61,551	63,141	64,773	66,447	68,165	13.6%
Other Pay	575,000	588,225	601,754	615,595	629,753	644,238	12.0%
FICA	150,124	154,004	157,984	162,067	166,256	170,552	13.6%
Pension	3,872,987	3,872,987	3,872,987	3,872,987	5,163,854	5,282,622	36.4%
Uniforms	165,655	165,655	165,655	165,655	165,655	165,655	0.0%
Tuition Reimbursement	12,000	12,276	12,558	12,847	13,143	13,445	12.0%
Professional Services	8,700	8,900	9,105	9,314	9,528	9,748	12.0%
Insurance Allocations	3,710,045	4,006,393	4,335,514	4,701,035	5,106,979	5,557,817	49.8%
Personnel subtotal	**16,795,290**	**17,320,844**	**17,885,056**	**18,491,704**	**20,435,832**	**21,259,108**	**26.6%**
Training	58,850	60,204	61,588	63,005	64,454	65,936	12.0%
Fuels	500	508	516	524	533	541	8.3%
Property/Liability Insurance	110,000	112,530	115,118	117,766	120,475	123,245	12.0%
Utilities	4,150	4,245	4,343	4,443	4,545	4,650	12.0%
Electric Power	500	525	551	579	608	638	27.6%
General Contracted Services	167,000	170,841	174,770	178,790	182,902	187,109	12.0%
Repairs/Maintenance	15,500	15,857	16,221	16,594	16,976	17,366	12.0%
Rentals	54,362	54,362	54,362	54,362	54,362	54,362	0.0%
Supplies/Materials	119,760	122,514	125,332	128,214	131,163	134,180	12.0%
Capital Equipment	154,557	158,112	161,749	165,469	169,275	173,168	12.0%
Other	225,500	230,479	235,569	240,775	246,099	251,543	11.5%
Total Expenditures	**17,705,968**	**18,251,020**	**18,835,177**	**19,462,225**	**21,427,224**	**22,271,847**	**25.8%**

The Department also helps the City generate over $2.2 million in General Fund revenue per year. The largest components of that revenue are charges for services ($1.4 million budgeted in 2011), intergovernmental revenues ($657,000) and fines and forfeits ($535,000). The City budgeted $2,957,000 for department-related revenue in 2011. The Revenue chapter addresses the City's historic and projected revenue performance across all departments.

Department of Fire/Rescue Services

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Department of Fire/Rescue Services

Overview

The City of York contracted with Public Safety Solutions to conduct an operational review of the City's Department of Fire/Rescue Services, culminating in a report delivered in 2010. In response to this report, Mayor Bracey formed a Committee on Fire and Emergency Medical Services that included the City Business Administrator, Chairwoman of the City Council Fire Committee, the Fire Department Chief and his Deputy Chiefs. That committee wrote a "Strategic Plan for Fire Stations and Staffing."

This chapter provides the same historical and projected financial figures that appear for other departments throughout this report and then outlines the financial impact of the changes in the City's Strategic Plan. This will help City leaders and the community consider the projected impact of the proposed changes in the context of the City's broader financial challenges.

Financial performance and projections

The table below shows the City's historic expenditures on the Department of Fire and Rescue services since 2006. Personnel expenses account for 95 percent of departmental expenditures unless the City makes a major capital expenditure as it did in 2009. Overtime expenses nearly tripled during this time (282.5 percent increase or $469,000) and insurance expenses rose by $742,000 (37.3 percent).

Historic Department Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	3,535,603	3,634,083	3,682,691	3,790,606	3,718,111	5.2%
Overtime	166,066	279,364	458,018	550,190	635,283	282.5%
Leave Pay	48,698	92,703	87,760	89,177	121,031	148.5%
Workers' Compensation	29,765	45,561	109,808	130,319	71,235	139.3%
Other Pay	0	52,992	7,010	4,277	6,767	N/A
FICA	49,789	53,087	56,893	61,584	62,394	25.3%
Pension	1,621,527	1,641,164	598,479	1,785,031	1,805,385	11.3%
Uniforms	51,460	54,005	54,765	56,139	56,464	9.7%
Tuition Reimbursement	282	3,768	2,722	9,718	5,772	1946.6%
Insurance Allocations	1,987,449	2,030,284	2,031,592	2,376,280	2,729,217	37.3%
Personnel subtotal	**7,490,637**	**7,887,010**	**7,089,740**	**8,853,321**	**9,211,658**	**23.0%**
Training	14,334	18,052	8,227	9,072	19,396	35.3%
Contributions	26,535	26,489	26,004	25,676	25,525	-3.8%
Fuels	27,164	28,386	0	0	0	-100.0%
Utilities	110,389	97,453	107,001	127,624	142,823	29.4%
Electric Power	20,941	20,978	0	0	0	-100.0%
General Contracted Services	20,020	28,205	35,338	60,719	12,809	-36.0%
Repairs/Maintenance	27,025	38,377	39,902	50,926	64,440	138.4%

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Supplies/Materials	27,377	43,325	48,033	49,187	46,909	71.3%
Capital Equipment	26,271	14,048	2,439	1,948,061	294,054	1019.3%
Other	12,359	13,850	17,801	15,851	15,204	23.0%
Total Expenditures	**7,803,053**	**8,216,173**	**7,374,483**	**11,140,437**	**9,832,819**	**26.0%**

The table below shows the projected expenditures for the Department of Fire and Rescue Services through 2016. The projections are based off the City's budgeted expenses for FY2011. The growth rates are explained in the Plan Introduction. The City budgeted $447,000 for overtime after spending $635,000 in 2010. The City now budgets leave, worker's compensation and other types of pay under full-time salaries and wages.

Projected Department Expenditures (All Major Funds)[61]

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	3,963,142	4,065,569	4,170,643	4,278,433	4,389,009	4,502,442	13.6%
Overtime	447,000	458,553	470,404	482,561	495,033	507,827	13.6%
FICA	99,119	101,681	104,309	107,004	109,770	112,607	13.6%
Pension	1,972,854	1,972,854	1,972,854	1,972,854	2,630,406	2,690,906	36.4%
Uniforms	68,460	69,435	69,435	69,435	69,435	69,435	1.4%
Tuition Reimbursement	5,828	5,962	6,099	6,239	6,383	6,530	12.0%
Professional Services	25,000	25,575	26,163	26,765	27,381	28,010	12.0%
Insurance Allocations	2,581,342	2,835,586	3,117,948	3,431,537	3,779,807	4,166,592	61.4%
Personnel subtotal	**9,162,745**	**9,535,214**	**9,937,855**	**10,374,829**	**11,507,223**	**12,084,350**	**31.9%**
Training	24,000	24,552	25,117	25,694	26,285	26,890	12.0%
Contributions	28,620	29,278	29,952	30,641	31,345	32,066	12.0%
Utilities	167,089	170,932	174,864	178,886	183,000	187,209	12.0%
General Services	32,215	32,956	33,714	34,489	35,283	36,094	12.0%
Repairs/Maintenance	113,125	115,727	118,389	121,112	123,897	126,747	12.0%
Supplies/Materials	68,000	69,564	71,164	72,801	74,475	76,188	12.0%
Capital Equipment	362,780	371,124	379,660	388,392	397,325	406,464	12.0%
Other	20,432	20,759	21,092	21,431	21,777	22,129	8.3%
Total Expenditures	**9,979,006**	**10,691,443**	**11,151,657**	**11,653,128**	**12,857,974**	**13,516,692**	**35.5%**

The Department also helps the City generate over $1.0 million in General Fund revenue per year. The largest components of that revenue are license fees ($770,000 budgeted in FY2011) and building inspection fees ($348,000 budgeted in FY2011). The Fire Department handles licensing and rental inspections while the City's Department of Economic and Community Development handles other code enforcement duties. The City budgeted $1,304,000 for department-related revenue in FY2011. The Revenue chapter addresses the City's historic and projected revenue performance across all departments.

[61] These projections cover the expenditures noted in Footnote No. 1.

Department Strategic Plan

The Strategic Plan prepared by the Mayor's Committee on Fire and Emergency Medical Services has three main components:

- Close the existing fire stations at 51 South Duke Street (Rex/Laurel Station) and 833 East Market Street (Goodwill Station) and open a new station tentatively planned for the intersection of Duke and Princess Streets;
- Remove one of the four fire engines from service and redeploy the two firefighters assigned to that engine as all station swing personnel; and
- Dispatch all in-service apparatus to all reported structure fires.

The Strategic Plan explains each of these changes in detail and the operational reasons for pursuing them. The reader is encouraged to review that Plan for more information. The remainder of this chapter outlines the potential financial impact of those changes and integrates that impact into the City's financial projections through 2016.

Station consolidation

As explained in the Strategic Plan, the Rex/Laurel and Goodwill Stations are more than 100 years old and need significant repairs to remain in service. The Strategic Plan estimates that the cost to repair the stations is between $2.5 million to $3.0 million including the following:

- $1.0 million to replace 58 historic windows in the Rex/Laurel station;
- $1.0 million to $2.5 million to repair Rex/Laurel station damage caused by roof leaks;
- $65,000 to widen the bay opening at the Goodwill Station; and
- Up to $1.0 million to repaint the Goodwill Station, replace the floor and install a vehicle exhaust extraction system.

Once the stations are repaired, the City would need to continue to maintain them on an annual basis. Given the age of these facilities and that they were built for an entirely different mode of firefighting, the City would likely need to make other large periodic investments in facilities beyond the $2.5 million - $3.0 million identified above to keep them operational.

In March 2011 the Fire Chief provided a preliminary estimated cost of $2.0 million to build a new station at Princess and Duke Streets. That $2.0 million estimate is $750,000 less than the $2.75 million estimated cost of renovating the existing stations.[62] The City does not have cash on hand to complete either project, so the City would have to issue long term debt to fund it and pay interest on the amount borrowed. Borrowing less money to build a new station also reduces annual debt service payments, which are usually covered by a designated real estate tax millage.

Consolidating the two old stations into one new one could also result in lower maintenance costs. The City budgeted $61,925 for building repairs in 2011, which equates to a simple average of $12,385 per building.[63] The actual costs by facility almost certainly vary from this average based on their usage, age and other factors. The City could not immediately eliminate all maintenance expenses at the two existing facilities by building a new one. The City would still need to maintain

[62] The Strategic Plan estimates the renovation costs fall between $2.5 million and $3.0 million, so the $2.75 million used here is the midpoint of that range.

[63] $61,925 / 5 facilities = $12,385.

the buildings as long it owned them. Assuming the City could reduce its maintenance costs by 50 percent at the existing stations by closing them, the savings would counter the additional maintenance costs at the new facility.

> Maintenance costs at existing facilities: $12,385 per building x 2 = $24,770
> Reduced spending after closure: $24,770 x .50 = $12,385
> Maintenance costs at new station: $12,385
> Net cost: $12,385 savings - $12,385 in costs = $0

The same follows for utilities where the City budgeted $167,000 for five facilities. The City would have to maintain basic utilities so long as it owned the facilities, but the reduced utility usage at the facilities would help offset the new utility costs at the new station.

If the new station is more energy efficient and needs less maintenance than the existing facilities, which seems likely given the age of those other facilities, then the City could achieve energy savings in this scenario. The City would also achieve savings if it sold or leased the existing historic facilities to another organization that would assume the ongoing maintenance and utility expenses. The sale or lease would also generate one-time or recurring revenue for the City.

Other factors

While this summary analysis projects the City would save money by building a new station to replace the Rex/Laurel and Goodwill Stations, there are several factors that could change the savings in either direction. The $2.0 million estimated cost for a new station is subject to change based on when the City bids the project, what the resulting bids are and whether there are cost overruns on the project. Similarly the $2.75 million estimated cost of renovating the two stations could increase with time as the existing stations grow even older and need even more work.

Staff and deployment changes

The City's Strategic Plan notes that overtime expenditures in the Department of Fire/Rescue Services increased from $72,036 to $647,830, close to an 800 percent increase. The Plan also explains that a portion of the overtime is caused by the Department having fewer budgeted positions (48) than required to staff the number of vehicles currently used (51 for five vehicles). The staffing shortage accounts for $170,192 in overtime in 2010.[64] Another $14,183 in overtime expenditures is due to the City calling off-duty firefighters back to staff additional vehicles if there are large, working or extra alarm fires. This leaves approximately $458,000 in overtime related to other causes, the most significant of which is use of sick and injury leave according to the Strategic Plan.

The Strategic Plan proposes to eliminate one of the City's four fire engines in service (leaving three engines and one truck) and redeploy the two firefighters normally assigned to that fourth engine to work as swing personnel instead. Those swing positions would be used to fill vacancies related to firefighters taking vacation or personal days or missing time due to illness or injury. The City does not intend to reduce its number of budgeted positions below 67 or the number of firefighters assigned to suppression below 48. The Strategic Plan estimates that this change would reduce the City's overtime spending by $400,000.

Making this change would eliminate the $170,192 in "built in" overtime related to the City not having enough budgeted positions to staff the five vehicles used. Instead of covering 50.5 slots with 48 positions, the City would only have to cover 40.4 slots. The City would have firefighters in reserve who could be assigned to other vacancies which would generate more savings beyond the $170,192 shown in the chart below.

[64] Please see pages 23-24 of the Strategic Plan.

Proposed Staffing Change – Impact on Overtime

	Current	Proposed
Hours in a year for one 24-hour slot (24 hours x 365 days)	8,760	8,760
Total possible hours per firefighter (42 hour work week x 52 weeks)	2,184	2,184
Average use of scheduled leave in hours	450	450
Average actual hours worked per firefighter (2,184 – 450)	1,734	1,734
Firefighters needed for one 24-hour slot (8,760 per slot / 1,734 worked)	**5.05**	**5.05**
Slots per vehicle	2	2
Vehicles in service per platoon	5	4
Vehicle slots per platoon	10	8
Firefighters needed to staff vehicle slots for 24-hours (5.05 per slot x number of vehicle slots)	50.5	40.4
Suppression slots budgeted	48.0	48.0
Reserves (deficit)	**-2.5**	**7.6**
Hours needed on overtime to fill deficit (2.5 slots x 1,734 hours each)	4,335	0
Average overtime rate in 2010	$39.26	$39.26
Overtime "built into" schedule	**$170,192**	**$0**

The City's Strategic Plan estimates that this change will result in $400,000 in overtime cost savings.[65] It is assumed that the $400,000 in savings is relative to the $647,830 spent in 2010, which would be approximately a 60 percent reduction. The City budgeted $447,000 for overtime in 2011 and this is the baseline amount projected in this EIP (with annual adjustments for salary increases). So, if the proposed change resulted in a 60 percent reduction on the baseline amount of overtime, and the changes took effect at the start of 2012, the savings would be $276,000 in 2012 and $1,459,000 through 2016.

Projected Financial Impact

	2011	2012	2013	2014	2015	2016	Total
Baseline overtime projection	447,000	459,672	472,703	486,103	499,884	514,055	2,879,416
Sixty percent reduction (City strategic plan)	N/A	275,803	283,622	291,662	299,930	308,433	1,459,450

The City's strategic plan states that this overtime savings would offset the cost of building a new fire station. Based on the analysis in the Debt Service chapter, the City would pay approximately

[65] Please see page 41.

$130,000 per year to finance a $2.0 million fire station as part of the bond planned for 2011.[66] So the projected overtime savings starting at $275,803 in 2012 would cover that capital cost.

The final element of the City's Strategic Plan involves dispatching all in-service vehicles to all reported structure fires to assemble a larger crew to respond to the fires more quickly. Sending more vehicles to each fire will likely increase the Department's operating expenses to some degree. If nothing else, sending additional vehicles to each structural fire will consume more vehicle fuel and put more mileage on the vehicles, requiring more frequent maintenance. The additional costs may be marginal, but the Department should monitor how operating expenses change after making this change in deployment.

[66] Please see the Debt Service chapter for more information.

Public Works

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Department of Public Works

Overview

The mission of the City's Department of Public Works is to serve York residents by providing a safe, clean and healthy environment in the City's public spaces. The Department's primary objectives are:

- To provide clean, safe and well-lit public roads, recreation facilities, City government buildings and parks;

- To manage the City's vehicle fleet;

- To manage residential and commercial wastewater services in accordance with federal and state law;

- To remove and dispose solid waste in accordance with federal and state law; and

- To provide programs and services that add to the quality of life in the City.

These objectives are pursued by the Department's five bureaus and coordinated through the Office of Administration. The bureaus are the Wastewater Treatment Plant (including the Municipal Industrial Pretreatment Plant and Sewer Maintenance divisions), Highway and Fleet Maintenance, Buildings and Electrical Maintenance, Environmental Services and Recreation and Parks. Each bureau is addressed in more detail later in the chapter.

The bureaus execute their daily activities with labor provided by members of three unions: the York City Employees Union (YCEU), the International Brotherhood of Electrical Workers (IBEW) and the York Public Employees Association (YPEA). In addition, there are five Bureau Managers and the Office of Administration that includes a secretary, office manager and the Department Director. The City Engineer is an outside consultant that reports to the Department Director. The Department generates revenue from 13 fees, a dedicated recreation millage[67] and leasing facilities and park space to third parties.

Since the 2006 Plan, the Department has achieved a number of financial goals that have generated additional revenues and reduced costs including:

- Leasing space on three cell towers ($49,000 average annual revenue)[68];

- Leasing recreational facilities ($115,000 average annual revenue)[69];

- Coordinating with local volunteer groups to administer the Bring on Play program, which renovates City playgrounds;

- Working with the County Sheriff's Department on various public space clean-up projects two days each week; and

- Renovating public buildings for energy efficiency ($10,000 annual savings).

[67] The assessment increased by 0.25 mills in 2010 for a total assessment of 1.25 mills
[68] Average based on 2010 & 2011 revenues
[69] Average based on 2010 & 2011 revenues

The City charges fees for a variety of services provided or overseen by Public Works ranging from refuse collection to sewage treatment to recreation programs. These charges are generally expected to cover the cost of providing the related service or at least a specific portion of it. Historically, the Department raises fees in line with growth in the Consumer Price Index (CPI) and is encouraged to continue this practice.

However, it is worth noting that employee costs generally outpace the CPI.[70] Even if the City did not provide annual wage increases to its employees, the cost of employee health insurance, fuel, electricity, supplies and materials generally rises each year. Any service that operates at a financial loss places a larger burden on the broader tax base including people who do not use the service. There may be instances when such a general tax subsidy is desirable or appropriate, but the City's current tax base is not strong enough to support the current level of expenses. If services that are assumed to pay for themselves do not actually do so, this is a further drain on the City's limited resources. The City should continue to adjust its fees regularly to recover its costs.

Public Works faces the same financial challenges as the rest of City government. As described in the Executive Summary, the City's major revenues have little or no natural growth absent tax increases while expenses rise annually. The City has commissioned organizational studies of its Fire Department and Police Department to examine how it can provide core public safety services the community needs at a price its taxpayers can afford. The same objective holds for Public Works. In addition to the Bureau-specific initiatives distributed throughout this chapter, the following initiatives offer strategies that are relevant across the Department.

PW01.	**Pursue shared services with other governments in region**	
	Target outcome:	Reduced costs while maintaining services
	Five Year Financial Impact:	Not applicable
	Responsible party:	Office of Administration

Several functions performed by the City's Department of Public Works are also performed by other governments just beyond the City's borders. In some cases there is a second government performing a similar service within the City's borders. The matrix below provides a high level summary view of comparable services performed by the City, neighboring municipalities, York County, the York City School District and other governments.

Comparable Public Works Services in York Region

	Street Sweeping/ Plowing	Maintain Highway/ Road	Maintain Road Signs	Maintain Traffic Signals	Maintain Fleet	Maintain Property	Maintain Parks	Rec. Programs	Leaf Collection	Manage Storm Water
City	X	X	X	X	X	X	X	X	X	X
County	X	X	X	X	X	X	X	X		
School District					X	X				
Spring Garden Township	X	X				X	X	X		X
Manchester Township	X	X	X	X		X		X	X	X
West York Boro	X	X				X	X			

[70] Please see the Workforce Chapter for more information.

	Street Sweeping/ Plowing	Maintain Highway/ Road	Maintain Road Signs	Maintain Traffic Signals	Maintain Fleet	Maintain Property	Maintain Parks	Rec. Programs	Leaf Collection	Manage Storm Water
Springettsbury Township	X	X	X	X	X	X	X	X		
West Manchester Township	X	X			X	X	X	X	X	
North York Boro		X				X	X			

X: Service Function

This matrix oversimplifies the similarities in function across governments. Services will differ significantly in terms of what the government does and how it does it. For example, fleet maintenance operations are different for City government than they are for the School District. However the matrix provides a starting point for City officials to consider where the Department of Public Works (DPW) functions overlap or complement functions of nearby governments. There are other opportunities for shared services not captured in this matrix where the potential partner does not fit in these categories (e.g. Commonwealth of Pennsylvania state agencies, non-profit organizations) or where functions reside in other City departments (e.g. code enforcement, tax collection).

The Department already has some shared service arrangements in place. The City collaborates with North York Borough and Spring Garden Township on traffic signal maintenance, street sweeping and street sign production, and has a formal shared service agreement for traffic signal maintenance with Manchester Township. Mayor Bracey has advocated for a more comprehensive "William Penn Compact" between the City and School District that would facilitate more extensive cooperation. The City Public Works Director and School District Director of Buildings and Grounds have discussed opportunities for sharing maintenance functions at City and School District facilities. Other models for intergovernmental cooperation include:

- Intergovernmental contracting where one government provides service to the other at an established price.

- More formal and broader equipment sharing agreements that extend informal arrangements built on personal relationships beyond the individuals initially involved.

- Facility sharing and program coordination. The City could work more closely with the York City School District to utilize the District's recreational facilities and provide residents with more venues for leagues and events. The additional facilities would allow the City to expand its winter programming for youth into neighborhoods where there are fewer program offerings. In addition, expansion of facility space may provide the City and School District with opportunities to generate new revenue from leagues and events.

- Joint contracting where two governments seek service from a third party, combining resources to leverage a better price. Refuse collection is one area for consideration since the City and neighboring municipalities use private collectors. The City and neighboring municipalities could issue a joint RFP to private collectors, using their larger base to potentially lower expenses. For example, the City of Toledo, Ohio has a regional service sharing agreement with Lucas County Solid Waste Management District that contracts with a private vendor for refuse and recycling collection.

- Regionalization where local governments form a new entity to provide an existing service, such as regional parks systems or stormwater management districts.

Moving from the predominant model in which each government handles its own responsibilities independently is not easy. City leaders should ensure that the sacrifices they make in terms of reduced control are balanced by tangible financial or quality-of-service benefits. Even if the City is creative, ambitious and genuine in how it pursues more shared services, it needs at least one other partner to succeed and the leaders of other governments will be equally vigilant of their own interests.

Still, given the depth of the City's financial challenges, the City needs to find alternative ways to deliver the services its residents need, even if it is not City government itself delivering those services. Department leadership should identify a small number of opportunities for shared services where the financial benefit to the City is at least $250,000 by 2013[71] and focus on pursuing those priority prospects.

PW02.	**Develop and use performance measurements**	
	Target outcome:	Improved information for management decisions
	Five Year Financial Impact:	Not applicable
	Responsible party:	Office of Administration

Given the City's limited financial resources and the likelihood that the City will have to evaluate the effectiveness of its programs and prioritize spending accordingly, the Department should develop a core set of performance measurements that track what each bureau does and how well it does it. Setting performance goals that can be measured in quantifiable terms will give the Department a framework to evaluate its successes, identify its challenges and communicate its achievements to City leaders. While the City should adopt measures that match its overall goals and make use of available information, the following list offers some suggestions to spark discussion:

Wastewater	• Percentage of projects scheduled (from Cost Savings Initiative) versus completed each year
Highways	• Cost per clearance of congested inlet • Average cost of sign fabrication (by type)
Fleet Management	• Average time between vehicle delivery for maintenance and vehicle release (by vehicle type) • Maintenance hours billed per vehicle
Buildings & Electrical Maintenance	• Average building square footage covered by a single custodial employee • Average time between scheduled and completed maintenance project (by type)
Environmental services	• Percent of total waste collected that is recycled • Average costs per Clean and Seal project completed
Recreation:	• Average time between receipt of request and confirmation sent for facility scheduling • Cost of each special event per attendee per year
Parks:	• Acre of park covered per maintenance employee • Average costs of maintenance project

[71] The $250,000 threshold is approximately 5.0 percent of projected baseline expenditures for DPW in 2013.

Wastewater Treatment Plant

Overview

The wastewater treatment plant is owned by the York City Sewer Authority and operated by the City of York. The City bureau responsible for these operations is divided into three divisions.

- **Plant Operations:** The wastewater treatment plant, located just north of the City is equipped to handle 26 million gallons of wastewater per day (mgd). The average flow to the facility is 11 million gallons per day. The plant employs 40 people, including a bureau chief, an operations manager, one superintendent, three shift supervisors, a data entry clerk, 21 plant operators, five maintenance personnel, an inventory manager, a process manager, four chemists and two compliance personnel. The contracted engineering consultant for the plant is Buchart Horn, Incorporated. The plant is jointly funded by the City, North York Borough, West York Borough, Manchester Township, West Manchester Township, York Township and Spring Garden Township in accordance with intermunicipal agreements.

- **Municipal Industrial Pretreatment Plant (MIPP):** Through this program, the City inspects and monitors industrial wastewater that is discharged into the sanitary sewer system. Approximately 35 industries participate in the program and fee assessments generate over $600,000 in annual revenue to the wastewater funds. The program employs two compliance personnel who report to the Director of Plant Operations. The MIPP has experienced a 66 percent increase in service charge revenue since 2006 as participation in the program has expanded.

- **Sewer Maintenance:** The City maintains over 100 miles of sewer pipes in the City of York that collect and convey wastewater to the plant for treatment. The maintenance group is responsible for preserving the system, which includes emergency and preventive cleaning, closed-circuit television inspection of laterals and mains, repair and replacement of sewer lines, replacement and grade adjustments of manholes, inflow and infiltration reduction, system mapping, laying utility markings, flow metering and new construction and expansion. The group also maintains flood pump stations and bascule gates.

  Since 2006, the City has made strategic investments to improve plant operations, increase energy conversation and improve customer service. Currently, the sewer maintenance group is replacing over 4,000 feet of the original terra cotta (clay) pipes that were installed in the early to mid 1900s. The total cost for this initiative is being split among the participating municipalities and is scheduled to be completed in Fall 2011.

Bureau Headcount

	2006	2007	2008	2009	2010	2011
Plant Operations	32	32	32	32	32	33
MIPP	3	3	3	2	2	2
Sewer Maintenance	6	6	6	7	7	7
Total	**41**	**41**	**41**	**41**	**41**	**41**

Financial performance and projections

The City funds the majority of its wastewater and sewer operations out of three funds – the Intermunicipal Sewer Fund (IMSF), the Sewer Fund and the Sewer Transportation Fund. The IMSF covers most of the expenses related to plant operations and MIPP. The Sewer and Sewer Transportation Funds cover most expenses related to sewer maintenance. Because this report focuses on the operating and debt service funds that are tax supported, the historic revenues and expenses from these funds are only presented in summary form here.

Historic Revenues & Expenditures

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Sewer Fund - Revenues	8,272,410	8,384,572	8,805,343	9,711,215	9,968,443	20.5%
Sewer Fund - Expenses	8,817,054	7,621,023	8,290,809	10,170,945	9,540,764	8.2%
Net result	**(544,644)**	**763,548**	**514,535**	**(459,730)**	**427,679**	-178.5%
Intermunicipal Sewer Fund - Revenues	4,846,956	4,510,301	4,935,146	5,793,092	6,946,957	43.3%
Intermunicipal Sewer Fund - Expenses	5,022,762	5,135,061	5,290,790	6,125,504	6,480,961	29.0%
Net result	**(175,806)**	**(624,760)**	**(355,644)**	**(332,412)**	**465,997**	-365.1%
Sewer Transportation Fund - Revenues	124,134	159,748	100,345	90,836	91,173	-26.6%
Sewer Transportation Fund - Expenses	0	0	0	0	0	0.0%
Net result	**124,134**	**159,748**	**100,345**	**90,836**	**91,173**	-26.6%
Total result	**(596,317)**	**298,536**	**259,236**	**(701,306)**	**984,849**	**-265.2%**

The WWTP has had a number of successes over the past four years. The Cost Savings Initiative (CSI) has saved an estimated $5.6 million in operating costs[72]. The initiative analyzed the Plant's staffing requirements, energy efficiency, waste disposal and administrative functions with the goal of "lowering overall operational costs"[73]. The analysis identified "100 obstacles that restrict financial competiveness"[74] and the CSI Team continues to implement the necessary changes to improve operations. Over $40 million in infrastructure upgrades have been completed since 2006. In addition, the Plant has implemented a phosphorous removal program that will extend the life of the pipes in the system and is projected to save over $80,000 a year in pipe replacement costs.

Initiatives

According to the FY2011 budget, the City's sewer operations do not contribute any revenues or draw expenses from the major operating funds. Therefore, the sewer systems financial performance does not directly impact the projected deficit discussed throughout most of this report. However, the system does impact the residents and businesses in the City who pay the service charges that support the system. If the system is run efficiently and costs are distributed equitably, City residents and businesses that rely on these services will pay more manageable rates, which helps them financially.

[72] See 2008 report on the Cost Savings Initiative at http://yorkcity.org/wastewater-treatment-plant-accomplishments.
[73] See pg. 5, 2008 report on the Cost Savings Initiative.
[74] See pg. 58, 2008 report on the Cost Savings Initiative.

PW03.	Update intermunicipal service agreements	
	Target outcome:	More equitable distribution of costs
	Five Year Financial Impact:	Not applicable
	Responsible party:	Business Administration & WWTP

The primary challenge facing the Plant in the near future is the redistribution of costs and debt service among participating municipalities. The shared service agreements between these municipalities were originally signed in 1976. The material components of those agreements, relating to operational costs and debt service, have not been adjusted since that time. The General Manager of the WWTP estimates that debt service payments do not currently align with the percentage of flow to the facility such that the City contributes 30 to 35 percent of the total flow to the facility but pays more than 40 percent of the debt service.

The City should review the existing agreements and each municipality's flow to the plant with the goal of negotiating changes that better align each municipality's financial contribution with their demand for treatment. If possible, this study should be funded from the system's revenues instead of the City's General Fund.

PW04.	Sell excess plant capacity	
	Target outcome:	Increased system revenue; reduced costs for current contributing municipalities
	Five Year Financial Impact:	Not applicable
	Responsible party:	Business Administration & WWTP

The flow to the plant does not encumber 100 percent of its operational capacity, leaving unused capacity that could be sold to a neighboring municipality. Selling this capacity to a new municipality would distribute the system's capital expenditures across a broader base, benefiting all existing contributors. It would also allow the City to leverage an existing asset to increase the system's revenues and provide stable rates for residents. A successful sale depends in part on finding a municipality that is interested in buying the excess capacity. The Plant Director is aware of this possibility and is monitoring opportunities to pursue it.

Bureau of Highways and Fleet Management

Overview

The Bureau of Highways and Fleet Management is divided into two divisions, Highways and Fleet Management. The Division of Highways maintains 90 miles of streets, 40 miles of alleys and the stormwater system that includes approximately 1,750 inlets throughout the City. The Division also administers a graffiti removal program that is driven by resident reports and provides seasonal leaf collection in the fall. In addition, Highways provides street sign maintenance and printing, street marking, sweeping, patching, resurfacing and snow removal.

The Fleet Management Division maintains approximately 200 gas/diesel vehicles (including police vehicles). The Fire Department's large vehicles are maintained by an outside vendor.

Bureau services are provided by 14 employees consisting of a superintendent, an administrative aide, nine highway maintenance employees and three auto mechanics.

Bureau Headcount

	2006	2007	2008	2009	2010	2011
Highways	11	11	11	11	11	11
Fleet	3	3	3	3	3	3
Total	**14**	**14**	**14**	**14**	**14**	**14**

Financial performance and projections

Highways

Expenses for the Division of Highways are primarily paid out of the City's General Fund and the separate Liquid Fuels Fund that receives State Fuels Tax revenue distributed by the Commonwealth. Since 2006 the Division experienced a 117.8 percent increase in overtime expenditures due to snow removal costs and significant increases in the cost of supplies and equipment as more sign production was brought in-house.

Historic Expenditures - Highways (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	313,058	313,401	339,954	344,316	340,870	8.9%
Overtime	14,436	25,932	15,916	28,417	31,440	117.8%
Shift Differential	612	900	564	866	894	46.1%
Leave Pay	56,078	64,568	51,636	80,090	57,321	2.2%
Workers' Compensation	364	0	0	0	0	-100.0%
Other Pay	1,659	2,318	1,914	2,175	926	-44.2%
FICA	29,337	30,938	31,175	34,501	32,478	10.7%

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Uniforms	6,187	5,521	6,133	7,387	8,004	29.4%
Insurance Allocations	248,694	247,977	264,584	277,552	263,401	5.9%
Personnel subtotal	670,424	691,555	711,875	775,304	735,335	9.7%
Professional Services	24,618	32,096	48,841	32,617	20,000	-18.8%
Utilities	1,327	1,787	1,789	1,917	2,040	53.8%
Electric Power	9,407	10,265	0	0	0	-100.0%
General Contracted Services	281,824	91,074	415,092	120,575	348,173	23.5%
Repairs/Maintenance	35,391	24,574	22,869	25,956	36,126	2.1%
Supplies/Materials	121,858	136,924	174,636	213,295	215,217	76.6%
Capital Equipment	58,234	112,805	126,331	142,011	161,906	178.0%
Rentals	3,013	6,352	0	9,758	4,390	45.7%
Fuels	16,393	9,620	0	0	0	-100.0%
Training	40	115	0	400	80	100.0%
Dues/Conferences	137	20	130	50	58	-57.7%
Advertising	1,040	669	1,205	689	1,000	-3.8%
Total	**1,223,704**	**1,117,854**	**1,502,769**	**1,322,572**	**1,524,324**	**24.6%**

A portion of the Division's expenses are covered by the State liquid fuels allocation, which has ranged from $700,000 to $800,000 per year. The City uses this revenue to cover a portion of its road construction, maintenance and repair expenses. The City budgets $745,000 for liquid fuels support in 2011. The table below shows the projected expenditures for the Highways Division through 2016. The projections are based off the City's budgeted expenses for 2011.

Projected Expenditures - Highways (All Funds)[75]

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	433,345	444,545	456,034	467,820	479,911	492,314	13.6%
Overtime	24,000	24,620	25,257	25,909	26,579	27,266	13.6%
Shift Differential	1,050	1,050	1,050	1,050	1,050	1,050	0.0%
Other Pay	1,800	1,841	1,884	1,927	1,971	2,017	12.0%
FICA	34,744	35,642	36,563	37,508	38,478	39,472	13.6%
Uniforms	7,500	7,500	7,500	7,500	7,500	7,500	0.0%
Insurance Allocations	317,180	343,374	372,465	404,773	440,654	480,504	51.5%
Personnel subtotal	819,619	858,573	900,753	946,488	996,143	1,050,123	28.1%

[75] The City's FY2011 budget shows an annual operating deficit of -$315,000 in the Liquid Fuels Fund. Because the Liquid Fuels Fund is not included in the major funds discussed in the Executive Summary, that deficit is not included in those projections.

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Professional Services	25,000	25,575	26,163	26,765	27,381	28,010	12.0%
Utilities	2,000	2,046	2,093	2,141	2,190	2,241	12.0%
General Contracted Services	285,500	292,067	298,784	305,656	312,686	319,878	12.0%
Repairs/Maintenance	36,000	36,828	37,675	38,542	39,428	40,335	12.0%
Supplies/Materials	237,500	242,963	248,551	254,267	260,115	266,098	12.0%
Capital Equipment	165,000	168,795	172,677	176,649	180,712	184,868	12.0%
Rentals	8,000	8,000	8,000	8,000	8,000	8,000	0.0%
Training	400	409	419	428	438	448	12.0%
Dues/Conferences	200	205	209	214	219	224	12.0%
Advertising	1,250	1,279	1,308	1,338	1,369	1,401	12.0%
Expenditures	**1,580,469**	**1,636,738**	**1,696,632**	**1,760,489**	**1,828,682**	**1,901,626**	**20.3%**

State grants provided funding for the Highways Division to clear congested stormwater inlets and add more inlets to the city-wide system. Informal shared services agreements with North York Borough and Springfield Township for street sign production, limited road maintenance work and street sweeping allow the Bureau to reduce operating costs. In addition, more street signs are being produced in-house rather than by contract, which has reportedly reduced some costs.

Fleet

The City covers the Fleet Management Division's expenses out of its General Fund. Like the Highways Division, Fleet Management has seen its expenses increase by approximately 25 percent since 2006 with the growth driven by repairs, supplies and fuel expenses.

Historic Expenditures – Fleet (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	71,181	81,309	79,655	94,583	88,199	23.9%
Overtime	9,425	9,971	12,039	13,261	5,324	-43.5%
Shift Differential	125	106	153	196	74	-40.5%
Leave Pay	15,806	14,492	31,586	22,344	28,538	80.6%
Other Pay	135	302	226	0	0	-100.0%
FICA	7,338	8,066	9,406	9,914	9,169	25.0%
Insurance Allocations	64,054	60,421	67,352	72,351	78,419	22.4%
Contracted Services	0	0	1,021	1,465	1,315	N/A
Repairs/Maintenance	30,174	40,234	40,102	45,259	45,472	50.7%
Supplies/Materials	54,041	67,008	65,087	74,257	80,265	48.5%
Vehicle Fuels	249,713	282,813	348,250	241,529	297,636	19.2%
Total Expenditures	**501,991**	**564,722**	**654,877**	**576,173**	**634,411**	**26.4%**

While the table above shows the Division's total expenses, it does not cover all fleet related expenses across all departments. The City budgets money within each department for vehicle repairs, rental, parts, leases, additional fuel and purchases. Including the Division expenses shown above, the City spent $1.7 million on total fleet expenses in 2010 and has budgeted $1.8 million in 2011. The table below shows the projected expenditures for the Fleet Division through 2016. The projections are based off the City's budgeted expenses for FY2011.

Projected Expenditures – Fleet (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	120,588	123,704	126,901	130,181	133,546	136,997	13.6%
Overtime	8,000	8,207	8,419	8,636	8,860	9,089	13.6%
Shift Differential	100	100	100	100	100	100	0.0%
Other Pay	200	205	209	214	219	224	12.0%
FICA	9,225	9,463	9,708	9,959	10,216	10,480	13.6%
Insurance Allocations	84,468	91,759	99,857	108,850	118,838	129,930	53.8%
Contracted Services	2,000	2,046	2,093	2,141	2,190	2,241	12.0%
Repairs/Maintenance	49,000	50,127	51,280	52,459	53,666	54,900	12.0%
Supplies/Materials	73,950	75,651	77,391	79,171	80,992	82,855	12.0%
Vehicle Fuels	295,000	322,435	352,421	385,197	421,020	460,175	56.0%
Total Expenditures	**642,531**	**683,697**	**728,380**	**776,909**	**829,646**	**886,990**	**38.0%**

Since 2006, the Bureau has focused on controlling internal costs and improving efficiency. For example, the Fleet Division has replaced older police vehicles that had higher maintenance needs and fuel consumption. Still, the Division faces operational and financial challenges in the near future. As of June 2011, the high cost of fuel had depleted over 75 percent of the 2011 fuel budget. The fleet of 200 vehicles includes 31 police cars, and 35 percent of the police cars are not operating at maximum fuel efficiency. Eight police vehicles have over 100,000 miles, which is the top end of the recommended life expectancy for police vehicles.[76] In addition, there are limited control mechanisms for the remaining fleet of over 170 non-police vehicles distributed across 10 departments. The current management system assigns a fuel card to each car and each card holder has 24-hour access to the fueling station at 118 North Broad Street. No other recording of vehicle or fuel usage is required. There is no standard operating procedure to ensure proper and efficient use of vehicles or a comprehensive fleet and fuel management system. Similarly, there is no clear recording mechanism for purchasing materials, tracking usage or inventory.

In addition, vehicle maintenance has been hindered by the Division's staffing limitations. As of May 2011, only one certified mechanic for gasoline vehicles was consistently available to perform daily vehicle maintenance. The second certified mechanic for gasoline vehicles was out on disability and the sole certified diesel mechanic was also out for medical reasons. This situation may have been a temporary problem but it highlights the City's struggle to maintain service with current staff during prolonged or simultaneous employee absences. As regular maintenance lags, the risk of more expensive breakdowns increases, particularly for the City's older vehicles. Those vehicles are vulnerable to dropping out of service for a prolonged period, stalling other departments' work. The City used private contractors to handle the diesel work in May 2011, but sending vehicles to contractors on an "as needed" basis is not likely to provide the price benefits that a more deliberate private contracting arrangement would. This analysis does not recommend privatization of fleet management at this time. Further analysis is needed to determine if that is the best approach. Nevertheless, the City's inability to afford additional mechanics and the critical role that vehicles play in service delivery require the City to consider how fleet maintenance could be handled differently than it is now.

[76] http://www.government-fleet.com; Vehicle life expectancy is dependent upon a number of variables, and replacement at 100,000 miles is the standard industry practice.

Initiatives

PW05.	Move tax-funded services to a service charge funding mechanism	
	Target outcome:	Better alignment of costs versus expenses; expanded revenue base
	Five Year Financial Impact:	Not applicable
	Responsible party:	Business Administration, Department of Public Works, Division of Highways

The City currently uses fees and service charges to support several Public Works functions, such as its recreation programs, refuse collection and sewer treatment. To broaden its revenue base and better align the people who pay for services with the people who use them, the City should consider moving other functions that are currently funded by the general tax base to a service charge.

For example, local governments in the Midwest are starting to fund storm sewer maintenance and improvements through a service charge based on the amount of water-permeable land a property has[77], which is a better measure than property value of how much polluted runoff is generated by a property (i.e. how much work is created for the City's storm sewer system). In an extreme example, a non-profit organization with large paved parking lots should theoretically pay more for the cost of cleaning the water that runs off its lots into the sewer system than a single family home. But, because stormwater treatment is supported by the general tax base and the real estate tax is the City's primary tax revenue, the single family home owner pays more for the stormwater service than the large, tax exempt non-profit. Other costs related to stormwater sewers, like the cost to repair inlets and minimize road flooding, should be distributed across all individuals and organizations in the City since they all benefit from those services. Some communities, like Fort Wayne, Indiana, bill property owners – including those who own tax exempt properties – for storm sewer services through a local utility.

Funding functions like stormwater management through a service charge would free money in the general tax base to support other functions, like police patrol and fire suppression. It is conceivable that, given the large projected deficits, the City would need to create a new service fee and maintain its tax levels at the current level so that individual property owners would pay more than they are now. However, because fees charge the cost of service to the individual or organization that uses them, it is a more equitable way to provide those services than just increasing taxes or eliminating the services entirely. As an example, the City of Rochester, New York charges "embellishment fees" based on a property's front footage for street cleaning, snow plowing and sidewalk repair. That way, properties with more street and sidewalk space pay more for the maintenances of those spaces. To the extent that it is possible to bill tax exempt organizations, as Fort Wayne does with storm water, this initiative may also broaden the base of people paying to support the services they use.

The City of York should select one function each year, calculate the total cost of providing that service and determine a more equitable way to distribute the cost of providing that service (i.e. street frontage for street fees, permeable land for stormwater fees). The information used to calculate the charge should be available to the public so that the fees are transparent and

[77] The City of Philadelphia has also moved toward this assessment, albeit over several years.

available for comment. Then the City can decide, as financial realities and policy preferences dictate, whether to adopt the service charge.

PW06.	**Restructure Fleet Management**	
	Target outcome:	Reduce the total expenditure for fleet service.
	Five Year Financial Impact:	Not applicable
	Responsible party:	Business Administration, Department of Public Works & Bureau of Highways & Fleet Management

The Bureau of Fleet Management needs to be restructured in its entirety. Below is list of specific initiatives on where to start.

- **Conduct a vehicle inventory audit**: The Bureau should conduct a comprehensive audit of the approximately 200 vehicles and electronically record the information including: (1) vehicle mileage, year and maintenance records; (2) department or personnel usage data in terms of days, hours or miles; and (3) gas card utilization. By recording the current condition and usage of all vehicles, the City will have better information to make decisions on vehicle retirement, maintenance, replacement and deployment.

- **Consider Mileage Reimbursement**: After completing the audit, the Bureau should decide whether it can eliminate vehicles. If certain departments or employees are consistently traveling short distances, the Bureau may be able to reduce the total costs of owning vehicles, including fuel, insurance and parts and repairs, by reimbursing employees for the use of their own vehicle instead.

- **Conduct regular vehicle utilization reviews**: To ensure that the City fleet remains at a manageable size in out-years, the Bureau should perform annual utilization reviews of all fleet vehicles by continuing to collect aforementioned data. If adequate justification for keeping a vehicle is lacking, then the vehicle should be removed from the City's fleet.

- **Draft and implement a vehicle use policy**: A vehicle policy improves accountability through laying out uniform criteria for vehicle use, alternative transportation options and take-home vehicle privileges. As a condition of driving a City-owned vehicle, all City employees should be required to review and sign a form stating that they have been informed of the City's vehicle use policy. Departmental managers should also sign a similar form that lays out their responsibility for monitoring and reporting vehicle abuse by employees. The policy should clarify instances when it is appropriate to use a City-owned vehicle and when it is not. There must be language that addresses the issue of vehicle abuse and fueling policies. The condition of the vehicle should be recorded in a log before and after use so individuals who damage vehicles can be identified, notified and disciplined, if necessary. This will also help the Law Department take action against third parties who damage City vehicles or injure City employees. Employees should be warned and then disciplined if they are found to have intentionally or repeatedly damaged City-owned vehicles. Repeat offenders should have vehicle privileges suspended. Establishing increased accountability for vehicle use will require increased monitoring by supervisors.

  In addition, the policy should include clear criteria for after-hours or emergency response duties. For example, in the City of Philadelphia, employees must be called into the field after hours at least 12 times per quarter to be eligible for a take-home vehicle. For first responders who are occasionally called out into the field after normal business hours, the

City may consider the use of a vehicle stipend of $25 to $50 per month. If a vehicle is called out into the field after-hours fewer than 12 times a quarter or is fueled less than twice monthly, the City should consider using monthly vehicle stipends or mileage reimbursement in place of a City-issued take-home vehicle. Implementing a uniform vehicle policy will decrease unsanctioned vehicle use by City employees.

- **Establish a Parts Procurement System:** The Bureau should establish a Parts Procurement System from vendors that provide "just-in-time" parts for the maintenance of vehicles. The ideal vendor will be able to provide any non-stock items within a contractually stipulated timeframe. Although the costs associated with a "just-in-time" supplier are slightly more expensive, the service provided will limit the volume and value of inventory on site. In addition, procurement for all fleet related expenses should be centralized, computerized and controlled by a small number of personnel. A controlled procurement system will create reliable data on part usage and vehicle maintenance, which will ultimately reduce costs.

- **Pursue opportunities for shared services:** Many of the components relating to fleet management can be shared with the school district or a neighboring municipality. Sharing services may reduce overhead costs, increase purchasing power and improve the efficiency of fleet management.

- **Establish a Fleet Management Coordination Committee**: The Department of Public Works should establish a Fleet Management Coordination Committee (FMCC) to help provide direction, authority and legitimacy for reforming Fleet Management. The committee would be composed of senior officials with vehicle oversight in each department. The FMCC would meet on a regular basis to develop policies and procedures and discuss relevant issues. One of committee's first tasks should be to develop and implement standard operating procedure (SOP) for fleet and fuel usage that applies to all 10 departments. The SOP should accommodate the needs of each department but include consistent checks on vehicle and fuel usage, limit users that have 24-hour access and centralize fleet control within the Bureau. These procedures will ensure proper utilization, improve service to the departments and reduce costs.

Bureau of Buildings and Electrical Maintenance

Overview

The Bureau of Buildings and Electrical Maintenance is responsible for the electrical and janitorial maintenance of all 102 City-owned buildings including the York City Ice Arena. The City's 103 traffic signals are managed by the Bureau, along with 3,100 City-owned street lamps. The Bureau maintains an integrated system of fire alarm pull boxes located in 350 businesses throughout the City. In addition, the Bureau handles numerous miscellaneous tasks including hanging banners year-round and decorations for the holidays, moving furniture and supplies and assisting the Police Department when there is damage to private properties. The Bureau would also provide the majority of the labor for the expected move to the new City Hall. These daily tasks are completed by 13 employees, consisting of the superintendent, five electrical maintenance employees, four building maintenance employees, two part time custodians and one painter. The routine carpet cleaning is outsourced to a third party vendor.

The Bureau's budgeted headcount is shown below. As of May 2011, the Bureau had three vacancies.[78] Management anticipates the City will have to add staff to maintain the new City Hall site.

Bureau Headcount

2006	2007	2008	2009	2010	2011
12	12	12	12	12	13

Financial performance and projections

Bureau expenses are primarily paid out of the City's General Fund and the separate Liquid Fuels Fund that receives money from the Commonwealth. The Commonwealth liquid fuels allocation helps cover the cost of maintaining traffic signals. The Bureau's total expenses appear to drop by 21.2 percent from 2006 to 2010, but that is largely due to the transfer of most electric power expenses to the Public Works section of the budget in 2008.[79] If the electric power expenditures are excluded, the Bureau's remaining expenditures increased by 36.2 percent over this period.

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	268,917	262,795	314,522	325,216	338,712	26.0%
Part-Time Wages	21,363	21,937	20,158	23,788	19,524	-8.6%
Overtime	9,441	8,181	8,722	7,226	8,590	-9.0%
Shift Differential	35	10	12	21	22	-37.1%
Leave Pay	80,153	48,394	59,367	71,687	75,899	-5.3%
Workers' Compensation	3,373	6,362	604	831	34	-99.0%
Other Pay	6,820	4,798	7,346	7,185	5,314	-22.1%
FICA	29,625	26,663	31,207	32,801	33,626	13.5%
Uniforms	2,122	1,841	2,014	5,595	8,772	313.4%
Professional Services	0	166	224	166	127	N/A

[78] Open positions include 1 painter, 1 electrician and 1 general maintenance person
[79] In 2010, some electric power expenses, including traffic signals, were returned to the Bureau's budget.

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Insurance Allocations & Transfers	226,116	254,487	267,108	279,042	295,118	30.5%
Refunds	75	0	200	200	125	66.7%
Training	197	0	0	0	80	-59.4%
Debt Service	0	41,702	41,702	41,702	85,489	N/A
Printing/Binding/Postage	0	0	20	87	297	N/A
Utilities	7,609	9,289	9,478	13,406	10,309	35.5%
Electric Power	595,265	658,025	0	0	88,382	-85.2%
General Contracted Services	8,831	3,355	3,109	4,012	4,165	-52.8%
Repairs/Maintenance	7,426	18,598	15,747	26,890	34,249	361.2%
Dues/Conferences	550	270	130	60	430	-21.8%
Supplies/Materials	43,210	29,906	34,197	54,098	52,098	20.6%
Capital Equipment	0	0	300	473	2,049	N/A
Total Expenditures	**1,350,145**	**1,419,424**	**816,169**	**894,486**	**1,063,490**	**-21.2%**

The table below shows the projected expenditures for the Bureau through 2016. The projections are based on the City's budgeted expenses for FY2011.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	419,080	429,911	441,022	452,421	464,113	476,108	15.0%
Part-Time Wages	29,110	29,863	30,634	31,426	32,238	33,071	15.0%
Overtime	6,000	6,155	6,314	6,477	6,645	6,816	15.0%
Shift Differential	50	50	50	50	50	50	0.0%
Other Pay	5,000	5,115	5,233	5,353	5,476	5,602	12.0%
FICA	38,426	39,419	40,438	41,483	42,555	43,655	15.0%
Uniforms	10,700	10,700	10,700	10,700	10,700	10,700	0.0%
Professional Services	300	307	314	321	329	336	12.0%
Insurance & transfers	296,593	318,068	341,918	368,405	397,822	430,492	49.9%
Training	700	716	733	749	767	784	12.0%
Printing/Binding/Postage	400	409	419	428	438	448	12.0%
Utilities	13,750	14,066	14,390	14,721	15,059	15,406	12.0%
Electric Power	82,000	86,100	90,405	94,925	99,672	104,655	27.6%
Contracted Services	8,500	8,696	8,895	9,100	9,309	9,524	12.0%
Repairs/Maintenance	40,500	41,432	42,384	43,359	44,357	45,377	12.0%
Rentals	100	100	100	100	100	100	0.0%
Dues/Conferences	700	716	733	749	767	784	12.0%
Supplies/Materials	63,750	65,216	66,716	68,251	69,820	71,426	12.0%
Capital Equipment	900	921	942	964	986	1,008	12.0%
Total Expenditures	**1,016,559**	**1,057,959**	**1,102,340**	**1,149,983**	**1,201,202**	**1,256,344**	**23.6%**

The Bureau has helped the City reduce its energy consumption. All City-owned traffic lights have been converted to light-emitting diode (LED) technology. Standard streetlamps are being replaced by LED lights and, by the end of 2011, the City plans to issue a request for proposals to convert all remaining street lamps to LED lighting. In addition, solar panels were installed atop the sewer maintenance building, Voni Grimes Gym, the Fire Headquarters and the Ice Arena. Plans are in place to add solar panels to three more buildings by the end of 2011.

Initiatives

PW07.	Establish a local apprentice program	
	Target outcome:	Workforce development
	Five Year Financial Impact:	Not applicable
	Responsible party:	Department of Public Works & Bureau of Highways & Fleet Management

The Bureau should develop an apprentice program with its skilled trade workers for students from local high schools and trade schools. The Bureau should model or connect with programs such as Crispus Attucks YouthBuild (Crispus Attucks Association Inc.).[80] YouthBuild links carpenters, painters, electricians and other construction trades with local teens to provide training and mentorship. The program may generate interest in the Bureau's work while enhancing the City's workforce of skilled labor in these trades.

[80] http://www.youthbuild.org

Bureau of Environmental Services

Overview

The Bureau of Environmental Services manages the City's refuse and recycling collection through contracts with Penn Waste (curb side) and York Waste (dumpsters). It operates the compost site behind Hoffman Stadium and distributes recycling bins and yard waste containers to residents. The Bureau operates an appointment-driven large item pick-up service and works with an intra-agency group on the "Clean and Seal" program to cleanup abandoned properties. In addition, the Bureau administers the Street Cut program, which issues over 300 permits and raises $20,000 in revenue per year. There are 4.5 employees within this bureau including a bureau manager, one part-time person who manages the large item call line and schedule and three sanitation workers that work closely with the Parks Superintendent to dispose of refuse in the public parks.

Bureau Headcount

2006	2007	2008	2009	2010	2011
6	6	7	7	10	7

The current refuse contracts with Penn Waste and York Waste extend until April 30, 2013. On curb side pickup days, each household can set out up to six 32-gallon trash bags or trash cans (maximum of 40 pounds each). Recyclables are collected on a single stream once a week. Yard waste is collected from March to December and residents may either lease yard waste cans at $10 per can (up to three cans per household) or purchase their own disposal yard waste bags. Large item pickups by York Waste are done by appointment only and residents may schedule up to five items per week. York County is responsible for the disposal of all hazardous and electronic waste.

Financial performance and projections

Bureau expenses are primarily paid out of the City's General Fund. The City charges refuse collection fees that are partly used to cover the Bureau's expenses. Refuse collection fee revenues have ranged from $3.8 million to $4.5 million since 2006, and are budgeted at $5.0 million in FY2011. The Bureau's expenses, which are mostly comprised of the aforementioned contracts with private companies, have increased by 7.9 percent since 2006 as shown below.

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	157,202	153,374	183,363	209,289	198,155	26.1%
Part-Time Wages	24,381	34,739	33,873	33,034	45,015	84.6%
Overtime	4,854	6,999	5,909	7,018	9,896	103.9%
Shift Differential	12	44	12	26	66	450.9%
Leave Pay	25,650	30,633	35,382	42,892	35,160	37.1%
Other Pay	272	161	441	157	740	171.8%
FICA	16,064	17,109	19,620	22,019	21,778	35.6%
Uniforms	1,818	1,834	1,774	3,022	2,651	45.9%
Insurance Allocations & transfers	120,396	118,773	128,887	157,829	180,388	49.8%

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Printing/Binding/Postage	747	526	210	234	0	-100.0%
Utilities	248	281	319	300	363	46.5%
Contracted Services	3,450	200	1,385	2,779	1,402	-59.4%
Refuse Contracts	2,301,083	2,358,793	2,382,358	2,495,118	2,492,714	8.3%
Repairs/Maintenance	2,803	3,622	17,111	14,695	13,768	391.3%
Rentals	2,231	750	698	917	1,329	-40.4%
Supplies/Materials	11,214	11,244	11,707	19,633	16,358	45.9%
Total Expenditures	**2,799,865**	**2,740,954**	**2,861,830**	**3,008,959**	**3,019,782**	**7.9%**

The table below shows the projected expenditures for the Bureau through 2016. The projections are based off the City's budgeted expenses for FY2011.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	252,305	258,826	265,515	272,377	279,417	286,638	13.6%
Part-Time Wages	40,000	41,034	42,094	43,182	44,298	45,443	13.6%
Overtime	5,500	5,642	5,788	5,938	6,091	6,248	13.6%
Shift Differential	100	100	100	100	100	100	0.0%
Other Pay	250	256	262	268	274	280	12.0%
FICA	20,293	20,817	21,355	21,907	22,474	23,054	13.6%
Uniforms	3,500	3,500	3,500	3,500	3,500	3,500	0.0%
Insurance & transfers	183,116	198,118	214,778	233,282	253,831	276,654	51.1%
Printing/Binding/Postage	12,200	12,481	12,768	13,061	13,362	13,669	12.0%
Utilities	450	460	471	482	493	504	12.0%
Contracted Services	3,250	3,325	3,401	3,479	3,559	3,641	12.0%
Refuse Contracts	2,646,350	2,707,216	2,769,482	2,833,180	2,898,343	2,965,005	12.0%
Repairs/Maintenance	14,500	14,834	15,175	15,524	15,881	16,246	12.0%
Rentals	1,000	1,000	1,000	1,000	1,000	1,000	0.0%
Supplies/Materials	19,950	20,409	20,878	21,358	21,850	22,352	12.0%
Total Expenditures	**3,202,764**	**3,288,017**	**3,376,568**	**3,468,639**	**3,564,473**	**3,664,336**	**14.4%**

The Bureau has successfully worked with the property maintenance inspectors in the Bureau of Permits, Planning and Zoning to resolve residential trash collection complaints received on the large item call line. The Bureau's efforts to reduce short dumping near railroad tracks in the City have been successful, with reduced need for trash collection in those areas.

Bureau of Recreation and Parks

Overview

The Bureau of Recreation and Parks is responsible for the operation and maintenance of 23 parks located throughout the City, three recreation centers, Voni Grimes Gym, Veterans Memorial Field Complex and the York City Ice Arena. The recreation centers and gym are used to provide youth and adult recreation programs, sports leagues and classes.

In addition, the Bureau manages a series of annual special events in the City including the Old York Street Fair, Three on Three Roundball Ruckus, Box Lunch Revue, YorkFest, Bike Night, Halloween Parade and First Night York. The Bureau handles snow removal for all properties under management. The various services are provided by 15 employees, including one programming person, one parks operations manager, five equipment operators and eight maintenance staff.

Bureau Headcount

2006	2007	2008	2009	2010	2011
16	16	16	15	15	15

Financial performance and projections

The City budgets the Bureau's activities in a separate Recreation Fund that has its own real estate tax levy. The real estate tax provided 57.7 percent of Fund revenues in 2010. Charges for the Bureau's programs accounted for another 12.4 percent and contributions from outside organizations provided 10.0 percent. The Bureau has been focused on increasing revenue by leasing excess space at its locations, such as new leases with private day care operators. Through these efforts the Bureau boosted this revenue line by 58.4 percent from 2006 to 2010. However, this increase has been offset by the reduction of state grant and real estate tax revenue for an overall reduction of 7.3 percent over this period.

Historic Bureau Revenues (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Total Real Estate Taxes	989,915	987,174	986,696	977,485	964,108	-2.6%
Licenses & Permits	8,090	10,886	11,786	12,670	13,685	69.2%
Intergovernmental Revenues	203,050	19,245	19,245	18,282	10,000	-95.1%
Charges for Services	220,031	226,730	215,817	223,567	206,685	-6.1%
Contributions/PILOTs	205,215	144,684	165,038	196,039	166,746	-18.7%
Miscellaneous Sales	42,191	49,395	51,023	60,435	56,121	33.0%
Rents, Loans, Program Income	98,099	169,450	124,222	117,675	155,368	58.4%
Reimbursements	274	1,609	2,045	6	0	-100.0%
Interfund Transfers	37,000	0	0	50,000	99,375	168.6%
Total Revenues	**1,803,864**	**1,609,173**	**1,575,872**	**1,656,158**	**1,672,088**	**-7.3%**

Historically the Bureau's largest expenditures have been for employee salaries and benefits. The Bureau also pays a portion of the City's administrative costs for centrally provided services such as information systems, human resources and business administration.[81]

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	385,479	383,855	409,129	439,173	411,866	6.9%
Part-Time Wages	46,039	50,816	51,817	53,176	53,240	15.6%
Overtime	19,589	32,584	28,175	50,647	50,080	155.6%
Shift Differential	203	430	304	556	528	160.7%
Leave Pay	72,171	83,424	113,283	111,946	91,735	27.1%
Workers' Compensation	19,456	26,259	792	0	0	-100.0%
Other Pay	1,426	1,092	1,823	2,021	2,073	45.4%
FICA	41,226	43,961	45,867	49,465	45,673	10.8%
Uniforms	5,419	4,995	5,120	6,595	7,943	46.6%
Professional Services	97,110	135,435	66,832	69,349	75,094	-22.7%
Insurance & transfers	510,030	467,641	516,559	494,556	545,232	6.9%
Civic Expenses	263,500	9,325	9,770	18,613	8,514	-96.8%
Refunds	1,570	12,255	6,483	5,851	5,782	268.3%
Training	0	40	100	540	70	N/A
Printing/Binding/Postage	4,667	3,164	4,684	3,576	4,210	-9.8%
Utilities	13,625	18,427	7,443	8,278	10,249	-24.8%
Contracted Services	101,959	115,038	121,823	130,750	112,659	10.5%
Repairs/Maintenance	13,520	13,581	14,630	18,834	23,606	74.6%
Rentals	10,314	6,532	10,936	11,017	9,167	-11.1%
Dues/Conferences	958	968	1,343	1,561	1,268	32.4%
Advertising	13,278	10,786	6,136	12,328	5,233	-60.6%
Supplies/Materials	51,956	58,014	51,606	61,213	64,810	24.7%
Capital Equipment	858	1,432	6,152	171,804	102,959	11,897.8%
Total Expenditures	**1,822,168**	**1,624,923**	**1,480,809**	**1,721,850**	**1,632,508**	**-10.4%**

The City has been supplementing Recreation Fund revenues with a transfer from the Internal Services Fund that is intended to be used for City-wide risk management and employee health insurance purposes. Backing out this interfund transfer, the Recreation Fund had a deficit in four of the last five years. In response, the City increased the Recreation Fund real estate tax millage from 1.0 to 1.25 in the FY2011 budget.

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Revenues w/out transfer	1,766,864	1,609,173	1,575,872	1,606,158	1,572,713	-11.0%
Expenditures	1,822,168	1,624,923	1,480,809	1,721,850	1,632,508	-10.4%
Net result	**-55,304**	**-15,749**	**95,062**	**-115,692**	**-59,795**	**8.1%**

[81] These interdepartmental allocations are discussed in more detail in the Business Administration chapter. They are grouped with the insurance allocations in these expenditure tables.

The table below shows the projected expenditures and revenues for the Bureau through 2016. Revenue from rentals and external contributions are projected to remain flat over the next five years while real estate tax and program revenue grow by a modest amount. Expenditures grow as projected throughout this report. It should be noted these numbers do not reflect the total projections for the Recreation Fund, only those related to the Bureau of Recreation and Parks.[82]

Projected Bureau Revenues and Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Revenues							
Real Estate Taxes	1,229,292	1,238,292	1,238,292	1,238,292	1,238,292	1,238,292	0.7%
Licenses & Permits	15,000	15,150	15,302	15,455	15,609	15,765	5.1%
Intergovt. Revenues	5,000	5,000	5,000	5,000	5,000	5,000	0.0%
Charges for Services	216,500	218,665	220,852	223,060	225,291	227,544	5.1%
Contributions/PILOTs	191,500	191,500	191,500	191,500	191,500	191,500	0.0%
Miscellaneous Sales	71,000	71,000	71,000	71,000	71,000	71,000	0.0%
Rents, Loans, Program	181,130	181,130	181,130	181,130	181,130	181,130	0.0%
Total Revenues	**1,909,422**	**1,920,737**	**1,923,075**	**1,925,437**	**1,927,822**	**1,930,231**	**0.7%**
Expenditures							
Full-Time Salaries/Wages	540,980	554,962	569,304	584,018	599,112	614,596	13.6%
Part-Time Wages	51,000	52,318	53,670	55,057	56,480	57,940	13.6%
Overtime	20,000	20,517	21,047	21,591	22,149	22,722	13.6%
Shift Differential	500	500	500	500	500	500	0.0%
Other Pay	1,000	1,023	1,047	1,071	1,095	1,120	12.0%
FICA	41,384	42,454	43,551	44,676	45,831	47,015	13.6%
Uniforms	9,100	9,100	9,100	9,100	9,100	9,100	0.0%
Professional Services	82,500	84,398	86,339	88,324	90,356	92,434	12.0%
Insurance Allocations	602,641	638,714	678,776	723,269	772,682	827,560	37.3%
Civic Expenses	7,721	7,899	8,081	8,267	8,457	8,651	12.0%
Training	600	614	628	642	657	672	12.0%
Printing/Binding/Postage	5,900	6,036	6,175	6,317	6,462	6,610	12.0%
Utilities	9,000	9,207	9,419	9,635	9,857	10,084	12.0%
Contracted Services	133,750	136,826	139,973	143,193	146,486	149,855	12.0%
Repairs/Maintenance	23,000	23,529	24,070	24,624	25,190	25,770	12.0%
Rentals	12,850	12,850	12,850	12,850	12,850	12,850	0.0%
Dues/Conferences	1,500	1,535	1,570	1,606	1,643	1,681	12.0%
Advertising	11,100	11,355	11,616	11,884	12,157	12,437	12.0%
Supplies/Materials	59,425	60,792	62,190	63,620	65,084	66,581	12.0%
Capital Equipment	4,000	4,092	4,186	4,282	4,381	4,482	12.0%
Capital Construction	27,051	0	0	0	0	0	-100.0%
Total Expenditures	**1,645,003**	**1,678,719**	**1,744,092**	**1,814,526**	**1,890,529**	**1,972,659**	**19.9%**
Net Expenditures	**264,419**	**242,018**	**178,983**	**110,910**	**37,293**	**(42,429)**	**-116.0%**

In addition to expanding the rental and lease program as described above, the Bureau has created a Park Operations Manager position to coordinate the daily maintenance and utilization of the City's 23 parks. The community is also supporting the City's parks system through the Angels of the Park volunteer program that enables residents to help with park maintenance and raise

[82] The Recreation Fund also supports expenditures for other bureaus.

funds to support the park system. The Bureau is in the third year of a Commonwealth grant for playground renovation.

Economic challenges that impact the City in general also impact the Bureau of Recreation and Parks. The recession has generated more requests for fee waivers in youth sports leagues, which reduces the related program revenues. In the past two years, adult sports league participation has declined, which has reduced fee collections by about 15 percent.

York City Ice Arena

The City also owns the York City Ice Arena, which provides a venue for the community to ice skate, figure skate and play ice hockey. The Arena was built in 2001 to replace the Memorial Park Ice Rink using recreation revenue bonds issued by the non-profit York City Recreation Corporation. In 2003 the Corporation was unable to pay the debt service, so, as guarantor on the Corporation's debt, the City assumed responsibility for the debt and the facility.

The City pays this debt out of a separate sinking fund which receives most of its revenue from real estate taxes ($298,000 or 47.9 percent in 2010), the rink's operating revenue ($195,000 or 31.2 percent) and money transferred from the Recreation Fund ($130,000 or 20.9 percent). In 2010 the debt service was $622,000. Entering 2011 the remaining debt service on the rink was $6.8 million ($5.2 million in principal). The Administration is considering paying off the remaining Ice Arena debt with a new bond issued in 2011 that could have a lower interest rate.[83]

The City uses a second fund to pay for the Arena's operations, which are largely handled by Rink Management Services Corporation under its contract with the City. The historic operating expenditures for the Rink are shown below.

Ice Rink Fund – Historic Expenditures

Category	2006	2007	2008	2009	2010	% Change
Miscellaneous Sales	0	0	0	694	6,167	N/A
Interfund Transfers	230,480	196,665	194,584	221,130	210,555	-8.6%
Civic Expenses	44,072	35,520	37,568	38,606	28,855	-34.5%
Personnel/Operating Costs	0	0	0	0	0	0.0%
Misc. Special Items	9,115	8,557	9,463	9,488	5,698	-37.5%
Total	**283,667**	**240,742**	**241,615**	**268,530**	**238,942**	**-15.8%**

According to the City's 2011 budget, the Rink generates approximately $1.3 million in revenue from facility rental fees, pro shop sales, concessions and other operating revenue.[84]

According to the City's 2009 audited financial statement, the Ice Rink Fund had a deficit of $1,779,000 at the end of that year. There has been a 20 percent decline in Rink usage, which results in lower revenues to cover the Rink's operations and debt service. The Rink's projected expenses are shown below in total and net of projected revenue.

[83] Please see the Debt Service chapter for more information on the proposed 2011 bond.

[84] Historical information on the Rink's operating revenues was not available at time of publication.

Projected Ice Rink Revenues and Expenditures[85]

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	359,435	368,725	378,254	388,030	398,059	408,347	13.6%
Employee Benefits	8,520	8,740	8,966	9,198	9,436	9,679	13.6%
Tuition Reimbursement	60,400	61,789	63,210	64,664	66,151	67,673	12.0%
Professional Services	56,972	58,282	59,623	60,994	62,397	63,832	12.0%
Interfund Transfers	221,130	221,130	221,130	221,130	221,130	221,130	0.0%
Civic Expenses	373,551	382,143	390,932	399,923	409,122	418,531	12.0%
General Contracted Services	177,636	181,722	185,901	190,177	194,551	199,026	12.0%
Total Expenditures	**1,257,644**	**1,282,531**	**1,308,017**	**1,334,117**	**1,360,845**	**1,388,218**	**10.4%**
Total Revenues	**1,257,644**	**1,270,180**	**1,282,842**	**1,295,631**	**1,308,547**	**1,321,592**	**5.1%**
Net annual result	**0**	**(12,350)**	**(25,174)**	**(38,486)**	**(52,298)**	**(66,626)**	**N/A**

These projections show the Rink operating at a deficit beginning in 2012. The projections assume the City will collect and spend what it budgets in 2011, which is why the revenues and expenditures equal each other exactly. If the City's 2011 performance does not match its projections, the Rink would run a deficit as soon as this year. The $1.8 million cumulative deficit identified by the external auditor at the end of 2009 shows the vulnerability that the Rink could operate at a loss again in 2011.

The projections also assume the Rink will continue to make a contribution to help cover the debt associated with its construction in 2001. This contribution appears in the table above as $195,000 of the $221,130 interfund transfer. The remaining $26,000 is transferred to the Capital Projects Fund. As noted earlier, the City may refinance the Ice Rink's debt as part of a new bond issued in 2011. Refinancing the Ice Rink debt would move it from the Ice Rink Sinking Fund to another sinking fund that covers debt associated with other 2011 projects unrelated to the Ice Rink. If the City had sufficient revenue from other sources to cover the debt service on this new 2011 bond, the Ice Rink could stop making this debt service contribution and operate without a projected deficit. However, the City's other revenues are not expected to be sufficient to cover the Ice Rink's debt in future years. Also, the Ice Rink bonds were initially issued in 2001 with the assumption that the Rink would cover its own debt costs. The Rink was not intended to draw down the City's tax-supported revenues. Therefore, the interfund transfer is projected to continue in future years.[86]

Initiatives

PW08.	**Eliminate the projected Ice Rink deficit**	
	Target outcome:	Reducing the projected deficit across major funds
	Five Year Financial Impact:	$194,000
	Responsible party:	Bureau of Parks and Recreation

[85] The interfund transfer shown in this chart is Ice Rink's contribution toward its own debt service costs. Theoretically, if the City refinanced the Ice Rink debt as part of a new 2011 bond and the City paid the debt service on that bond using other revenues, the Rink would not have to make any debt service contribution

[86] Refinancing the Ice Rink debt could reduce the City's scheduled debt payments, so that the interfund transfer from the Ice Rink fund to cover these payments could be lower.

The Ice Rink is projected to operate at a slight deficit over the next five years. As a result of this deficit, the General Fund must transfer money to the Ice Rink annually. While this General Fund subsidy is less than one percent of the $40.0 million General Fund, this represents another area where the General Fund will be subsidizing the operations of an enterprise fund. It is acknowledged that the current economy has significantly impacted consumer discretionary spending, which accounts for the drop in Ice Rink utilization. However, the vendor, Rink Management Services Corporation, should make it a priority to generate enough revenue to sustain its operations without the General Fund subsidy.

Projected Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	12,000	25,000	38,000	52,000	67,000	194,000

PW09.	**Implement an electronic facilities management system**	
	Target outcome:	Improved efficiency
	Five Year Financial Impact:	Not applicable
	Responsible party:	Bureau of Parks and Recreation, Information Systems

The Bureau has a manual process for scheduling facility usage that requires one full-time administrative support person. A web based facility management system would provide an internal and external platform for managing park operations. Events, leagues and classes at the recreation centers, gyms, fields and parks could be managed more efficiently and residents would have more opportunity to plan their use of the facilities. In addition, the administrative costs of facility management would be significantly reduced, allowing the Bureau to shift resources and personnel elsewhere. The City should consider adding this system to the list of priority projects to be included in its technology improvement plan.[87]

[87] Please see the Information Systems section of the Business Administration chapter for more information on this plan.

Economic & Community Development

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Economic & Community Development

Overview

The City of York's Department of Economic and Community Development (DECD) was officially created in 2011 through a merger of the City's Department of Community Development and the Economic Development Department. Functionally, the two departments have operated as one since 2009, but the York City Council passed an ordinance to officially approve the merger in 2011.

The mission of the Department of Economic and Community Development is to maintain and revitalize neighborhoods throughout the City by focusing on the following primary objectives:

- Ensure the safety of commercial and residential buildings;
- Protect and improve public health;
- Utilize federal, state and local funding to maintain and improve neighborhoods;
- Build partnerships with and provide assistance to existing businesses and entrepreneurs seeking to invest in the city; and
- Create or facilitate development projects that are consistent with the City's 2030 Comprehensive Plan.[88]

The combined department now consists of four bureaus:

- **The Bureau of Housing Services** is charged with developing and redeveloping low to moderate income housing units;
- **The Bureau of Permits, Planning and Zoning** approves all development plans, zoning applications and enforces the Pennsylvania construction code;
- **The Bureau of Economic Development** is responsible for working with existing and potential businesses to create jobs for city residents and revitalize communities throughout the city; and
- **The Bureau of Health** is focused primarily on preventative care that complements traditional health care.

A staff of 42 people (21 of which are in Health) administers the daily activities of the Department. In addition, the Department director serves as the Secretary of the Redevelopment Authority (RDA). The RDA is charged with blight mitigation and housing development or redevelopment. The Authority generates revenue through the sale of properties to qualified buyers. In addition, it administers a revolving loan fund that provides micro-financing for restaurant development in targeted neighborhoods. The RDA is governed by a five-member board and staff from the DECD administers the Authority's daily activities.

Since the merger, the combined department has begun to integrate the initiatives of each bureau into a cohesive development strategy. The neighborhoods targeted by Housing Services and the

[88] The 2030 Comprehensive Plan is available at - http://yorkcity.org/strategic-comprehensive-plan

RDA are supported by the investments from the Bureau of Economic Development. The current combined efforts in the Salem District are an example of the collaborative work among the bureaus, and the success in the Old Town East district highlights the impact that collaboration among the bureaus may have on creating sustainable neighborhoods.

Moving forward, the new Department faces a number of financial and operational challenges. The pending reduction of the Federal Community Development Block Grant program (CDBG), which covers 100 percent of the staffing costs for the Bureau of Housing Services, will have a major impact on the Department's operations. The local budget constraints and the reduction of state resources at Pennsylvania's Department of Community and Economic Development under the Commonwealth's own budgetary conditions limit the City's ability to provide more incentives for business and community development.

ED01.	**Inter-bureau collaboration and performance measurement**	
	Target outcome:	Improved return on investments and resource optimization
	Five Year Financial Impact:	Not applicable
	Responsible party:	Department of Economic and Community Development

The limited government resources available demand a maximum return on investments. The Department should develop a comprehensive set of performance metrics for all employees that emphasize coordination among the bureaus and project alignment to optimize the Department's investments throughout the city. The collaboration among the bureaus for the investments made in Old Town East and the Salem District can function as models for inter-bureau collaboration.

For example, performance metrics for employees in Permits, Planning and Zoning could include the frequency of outreach to employees in the Bureau of Economic Development for the review of proposals for subdivision and land development plans. A performance metric for employees in Housing Services could be identification of zoning issues from their projects and outreach to the Bureau of Permits, Planning and Zoning to help residents resolve the issues. Both of these approaches could improve communication between bureaus and maximize the opportunities for coordinated efforts between proposed development plans and the City's economic and housing development strategy.

Bureau of Housing Services

Overview

The Bureau of Housing Services is responsible for providing affordable housing and homeownership opportunities to low-to-moderate-income residents within the City of York. The Federal Community Development Block Grant (CDBG) fund and the Home Investment Partnership Program, which is known colloquially as the HOME program, are administered by Housing Services. The CDBG program provides 100 percent of the Bureau's operating revenue.

The Bureau has a staff of six people including the director, a deputy director, an office manager, a funding analyst and two compliance specialists. Bureau staff provides information and limited financial assistance to low or moderate-income families to rehabilitate their properties and achieve compliance with the housing and public health codes. The Bureau collaborates with the Community Housing Development Organizations (CHDO) to mitigate residential blight, update the City's housing stock and administer the Elm Street Program.

Bureau Headcount

2006	2007	2008	2009	2010	2011
8	9	10	8	8	7

Financial Performance and Projections

The City uses federal and state government funding to support the Bureau's activities. CDBG funding provides the Bureau with $2.7 million, or 55.4 percent of the Bureau's FY2011 budget, through the City's CDBG Fund specifically designated for that purpose. CDBG money accounts for another $600,000 that is routed to the Bureau through the City's General Fund. HOME funds account for the most of remaining budget.

The City has experienced a 37.9 percent reduction in federal CDBG funds since 2006, which has forced the Bureau to reduce its programs from nine to three – the Critical Needs Owner-Occupied Rehabilitation Program, the First-Time Homebuyer Down Payment and Closing Assistance Program and the Rental Rehabilitation Program.[89] The CDBG reduction has also resulted in the elimination of opportunities for staff professional development. Any additional CDBG funding reductions will pose a significant staffing challenge to the Bureau.

The table below shows the Bureau's historic revenues and expenditures since 2006. The City's financial records show the City historically spending $150,000 more than it records in revenue with a bigger deficit in 2007. The deficit is mainly recorded in the General and CDBG funds.

Historic Bureau Expenditures/Revenues

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
General Fund - revenues	287,908	0	308,114	605,806	486,890	69.1%
General Fund - expenses	408,207	467,139	474,894	581,388	547,446	34.1%
Net result	(120,299)	(467,139)	(166,781)	24,417	(60,556)	-49.7%
CDBG Fund - revenues	2,806,902	1,978,833	2,117,499	1,974,415	1,628,053	-42.0%

[89] The programs that were cut include, Adopt-A House, Commercial Façade Easement Program, Senior Citizens Housing Rehabilitation Program, Title X Lead Hazard Control Program, and the Mortgage Credit Certificate Program

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
CDBG Fund - expenses	2,826,508	2,147,833	2,161,254	1,974,415	1,689,512	-40.2%
Net result	(19,606)	(169,000)	(43,756)	0	(61,459)	213.5%
HOME Fund - revenues	826,572	762,769	468,606	1,178,424	577,143	-30.2%
HOME Fund - expenses	831,813	765,969	467,306	1,182,924	576,559	-30.7%
Net result	(5,241)	(3,200)	1,300	(4,500)	584	-111.1%
High Risk Fund - revenues	175,973	238,968	124,384	123,554	93,101	-47.1%
High Risk Fund - expenses	180,224	133,721	121,960	123,554	88,270	-51.0%
Net result	(4,252)	105,247	2,424	0	4,831	-213.6%
CDBG Rental Rehab Fund - revenues	147,293	31,990	19,320	16,312	7,246	-95.1%
CDBG Rental Rehab Fund - expenses	149,013	18,847	19,320	16,312	7,241	-95.1%
Net result	(1,721)	13,142	0	0	5	-100.3%
PHFA Rental Rehab Fund - revenues	8,385	10,783	7,765	5,881	3,826	-54.4%
PHFA Rental Rehab Fund - expenses	0	18	50	40,223	34,492	N/A
Net result	8,385	10,765	7,715	(34,341)	(30,666)	-465.7%
Section 108 Fund - revenues	14,242	22,281	19,293	14,772	3,576	-74.9%
Section 108 Fund - expenses	0	0	0	105,894	18,513	N/A
Net result	14,242	22,281	19,293	(91,122)	(14,937)	-204.9%
Special Projects Fund - revenues	22,400	11,000	0	16,223	0	-100.0%
Special Projects Fund - expenses	24,475	0	0	16,223	0	-100.0%
Net result	(2,075)	11,000	0	0	0	-100.0%
Total result	**(130,566)**	**(476,904)**	**(179,805)**	**(105,546)**	**(162,198)**	**24.2%**

The City's FY2011 budget shows the Bureau spending $4.8 million this year compared to only $3.0 million in FY2010. That increase is based on anticipated increases in Streetscape, Section 108 Housing, Homeless Prevention and Affordable Housing funds. Revenues are projected to jump by a corresponding amount with the total expenses essentially covering total revenues. If the City achieves this projected balance in FY2011, it will be difficult for the City to maintain it through FY2016. Federal and state grant funds are projected to remain flat and could decline further based on recent trends. Expenses related to staff and program activities are projected to increase absent corrective action. The table below shows the projected revenues and expenditures through FY2016.

Projected Bureau Expenditures[90]

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
General Fund - revenues	599,617	599,617	599,617	599,617	599,617	599,617	0.0%
General Fund - expenses	584,356	608,251	633,997	661,779	691,804	724,296	23.9%
Net result	15,260	(8,634)	(34,380)	(62,163)	(92,187)	(124,679)	-917.0%
CDBG Fund - revenues	2,678,205	2,678,205	2,678,205	2,678,205	2,678,205	2,678,205	0.0%
CDBG Fund - expenses	2,678,206	2,739,805	2,802,820	2,867,285	2,933,233	3,000,697	12.0%
Net result	(1)	(61,599)	(124,615)	(189,080)	(255,027)	(322,492)	N/A
HOME Fund - revenues	1,415,000	1,415,000	1,415,000	1,415,000	1,415,000	1,415,000	0.0%
HOME Fund - expenses	1,415,000	1,447,545	1,480,839	1,514,898	1,549,740	1,585,385	12.0%
Net result	0	(32,545)	(65,839)	(99,898)	(134,740)	(170,385)	N/A
High Risk Fund - revenues	125,600	125,601	125,602	125,603	125,604	125,605	0.0%

[90] No revenues or expenses are projected for 2011 – 2016 in the Special Projects and Section 108 funds.

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
High Risk Fund - expenses	125,500	125,627	125,756	125,888	126,024	126,162	0.5%
Net result	100	(26)	(154)	(285)	(420)	(557)	-657.2%
CDBG Rental Rehab Fund - revenues	10,005	10,005	10,005	10,005	10,005	10,005	0.0%
CDBG Rental Rehab Fund - expenses	10,000	10,007	10,015	10,023	10,031	10,039	0.4%
Net result	5	(2)	(10)	(18)	(26)	(34)	-775.2%
PHFA Rental Rehab Fund - revenues	5,800	5,803	5,806	5,809	5,812	5,815	0.3%
PHFA Rental Rehab Fund - expenses	23,294	23,830	24,378	24,939	25,512	26,099	12.0%
Net result	(17,494)	(18,027)	(18,572)	(19,129)	(19,700)	(20,284)	15.9%
Total result	**(2,129)**	**(120,833)**	**(243,569)**	**(370,573)**	**(502,100)**	**(638,430)**	**29884.9%**

Successes and challenges

Key recent accomplishments for the bureau include its investment in the Old Town East district and the continuation of the downtown Business Improvement District.

The Bureau established the Elm Street Program in Old Town East six years ago, which invested state and local resources in physical improvements to residential and mixed-use buildings.[91] The Elm Street Program funds were supplemented by streetscape improvements funded by CDBG, and the economic development resources that were invested in the new baseball stadium. The Bureau also directed resources from the restaurant revolving loan fund to the neighborhood, which resulted in three new eateries. The layering of community and economic development resources produced good results. Eight new homes were built in the district and six more were rehabilitated. At the time of department interviews, all 14 properties were sold and occupied without any mortgage and restaurant loan defaults. Overall, rehabbed housing sales have significantly increased as the need for low to moderate-income housing increases. In addition, the Elm Street program has achieved sustainability by building sufficient private sector support to maintain operations at the end of its state funding cycle in 2010.

The Business Improvement District known as Downtown Inc. was reauthorized in 2010 for ten more years by the participating merchants. Downtown Inc. raises approximately $120,000 from its one mill assessment on local businesses and approximately $60,000 annually from various grants. The funding is used for business recruitment, marketing and neighborhood beautification downtown.

Despite the success, the Bureau faces significant financial challenges in the near future as significant reductions to CDBG are expected in the coming year. The Bureau should plan for a significant CDBG reduction and increase collaboration with Permits, Planning and Zoning to maximize its resources and return on investments.

Initiatives

ED02.	**Plan for CDBG reduction**	
	Target outcome:	Keeping Bureau programs at a sustainable level given deficits in other City funds
	Five Year Financial Impact:	$337,000

[91] For a full description of the Elm Street Program see, http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/elm-street

	Responsible party:	Department of Economic and Community Development

While the Bureau's achievements are commendable, the City's financial situation will likely prohibit it from diverting money from its tax-supported funds to support the Bureau's work in the near future. It is unclear whether the City has been using tax revenue to support the Bureau's work in recent years. Department staff report that the Bureau only uses federal and state grant money and the City's budget supports this description. However, the City's financial records show the Bureau's expenditures exceeding revenues each year since 2006. If those recurring operating deficits are real, it is possible that the City is covering them with other funds not listed in the City's budget.

The baseline projections listed above show the City essentially balancing revenues with expenses across all funds in FY2011 according to the City's FY2011 budget. As federal and state grant revenues remain flat (as projected) or decline (as has historically happened), the Bureau will unfortunately have to reduce its expenditures to avoid the projected baseline deficit. The City needs to develop a plan to deal with the likely reduction in CDBG and other federal and state funding that supports the Bureau's activities.

The impact shown below is only associated with the projected General Fund deficit. It is not clear how the City covers the apparent recurring deficit in other funds, and it is important to determine that there is not additional General Fund subsidy in this budget category.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	9,000	34,000	62,000	92,000	125,000	337,000

ED03.	**Continue collaboration with the Bureau of Permits, Planning & Zoning**	
	Target outcome:	Build on recent success
	Five Year Financial Impact:	Not applicable
	Responsible party:	Bureaus of Housing Services and Permits, Planning & Zoning

A coordinated review of subdivision and land development plans and zoning applications between Housing Services and Permits, Planning and Zoning may identify projects where public and private resources can make a collaborative investment in a neighborhood. The multi-layered investments in Old Town East represent a model that should become standard practice. The combined efforts may help create more sustainable neighborhoods.

Bureau of Planning, Permits & Zoning

Overview

The Bureau of Permits, Planning and Zoning is charged with promoting the orderly growth of the City by doing the following:

- Administering the City's 2030 Comprehensive Plan[92];
- Issuing permits and certificates of use and occupancy and licenses for health- and food-related establishments;
- Reviewing all subdivision and land development plans, zoning applications and sewer planning modules and conducting related environmental reviews; and
- Enforcing the residential and commercial construction code through inspections, complaint investigation and plan review.

Bureau staff provides routine planning and engineering assistance, in coordination with other City departments, for public and civic infrastructure projects. The daily activities are carried out by nine employees, including the Bureau director, one zoning officer, one health inspector, one permits technician, four property inspectors and an office manager.

Bureau Headcount

2006	2007	2008	2009	2010	2011
10	10	12	11	10	10

In addition, the Bureau issues permits and certificates of use and occupancy and licenses for health- and food-related establishments.

Financial Performance and Projections

The Bureau collects over $800,000 in revenue from a combination of 27 fees, licenses and permits. Since 2006, the total revenue from permits and license has decreased by 28.3 percent from $743,000 to $532,000 as the economic recession has slowed development activity. To mitigate this trend, the Bureau asked Council to increase its fees. On December 1, 2009, City Council approved the Bureau's request for increased fees, licenses and permits.[93] The updated fees were effective on January 1, 2010 but the related revenue has remained stagnant ($540,000 in 2009 versus $532,000 in 2010). The City's 2011 budget anticipates this revenue will drop even further, down to $438,000. License and permit revenue is then projected to grow modestly at 1.0 percent per year through the 2016 projection period.

While total revenues declined by 16.6 percent from 2006 to 2010, total expenditures increased by 21.4 percent as outlined below. Still, Bureau revenues have covered expenses each year since at least 2006.

[92] The 2030 Comprehensive Plan is available at - http://yorkcity.org/strategic-comprehensive-plan

[93] 2009 Resolution No.140

Historic Bureau Expenditures/Revenues (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Revenues						
Licenses & Permits	742,551	583,822	775,721	540,389	532,205	-28.3%
Fines & Forfeits	1,008	435	7,448	21,594	30,714	2,946.3%
Intergovernmental Revenues	17,225	17,875	18,425	80,100	11,566	-32.9%
Charges for Services	483,020	396,073	444,875	316,361	376,495	-22.1%
Miscellaneous Sales	2,090	888	655	330	125	-94.0%
Interfund Transfers	81,404	8,186	138,788	196,869	155,643	91.2%
Total Revenues	**1,327,298**	**1,007,280**	**1,385,912**	**1,155,643**	**1,106,748**	**-16.6%**
Expenditures						
Full-Time Salaries/Wages	216,841	212,495	287,002	277,932	302,493	39.5%
Leave Pay	34,847	39,657	39,096	39,132	43,038	23.5%
FICA	18,909	18,904	24,373	23,735	25,905	37.0%
Uniforms	661	494	732	1,456	2,144	224.5%
Professional Services	262,945	226,813	260,342	413,319	248,321	-5.6%
Insurance Allocations & Transfers	202,451	201,696	238,838	232,475	235,421	16.3%
Refunds	2,540	5,923	5,192	5,897	5,425	113.6%
Travel	0	0	0	1,746	33	N/A
Training	1,079	138	617	527	620	-42.5%
Misc. Special Items	1,059	1,470	336	886	0	-100.0%
Printing/Binding/Postage	230	238	1,575	2,132	2,523	994.9%
General Contracted Services	0	0	0	12,000	33,569	N/A
Rentals	26,216	22,299	22,817	26,637	26,441	0.9%
Dues/Conferences	485	60	45	180	0	-100.0%
Advertising	4,811	5,924	7,200	8,223	7,937	65.0%
Supplies/Materials	3,724	3,303	1,818	1,406	1,905	-48.8%
Capital Equipment	0	0	0	38,855	7,771	N/A
Total Expenditures	**777,252**	**739,976**	**890,064**	**1,086,538**	**943,546**	**21.4%**
Net Expenditures	**550,046**	**267,303**	**495,848**	**69,105**	**163,202**	**-70.3%**

The table below shows the projected revenues and expenditures for the Bureau through 2016. The projections are based on the City's 2011 budget that shows total expenditures exceeding total revenues by $310,000. Because Bureau revenues are projected to grow at a lower rate than Bureau expenses, that negative result grows from the -$310,000 budgeted in 2011 to -$509,000 in 2016.

Projected Bureau Expenditures/Revenues (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Revenues							
Licenses & Permits	437,500	441,875	446,294	450,757	455,264	459,817	5.1%
Fines & Forfeits	26,000	26,000	26,000	26,000	26,000	26,000	0.0%
Intergovernmental Revenues	14,000	14,000	14,000	14,000	14,000	14,000	0.0%

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Charges for Services	188,235	190,117	192,019	193,939	195,878	197,837	5.1%
Miscellaneous Sales	300	300	300	300	300	300	0.0%
Interfund Transfers	159,000	159,000	159,000	159,000	159,000	159,000	0.0%
Total Revenues	**825,035**	**831,292**	**837,612**	**843,995**	**850,442**	**856,954**	**3.9%**
Expenditures							
Full-Time Salaries/Wages	386,156	396,136	406,374	416,877	427,651	438,704	13.6%
FICA	24,953	25,598	26,259	26,938	27,634	28,349	13.6%
Uniforms	2,200	2,200	2,200	2,200	2,200	2,200	0.0%
Professional Services	365,100	373,497	382,088	390,876	399,866	409,063	12.0%
Insurance Allocations & Transfers	302,187	322,516	345,094	370,169	398,017	428,944	41.9%
Refunds	7,000	7,161	7,326	7,494	7,667	7,843	12.0%
Travel	550	556	561	567	572	578	5.1%
Training	1,000	1,023	1,047	1,071	1,095	1,120	12.0%
Misc. Special Items	1,000	1,023	1,047	1,071	1,095	1,120	12.0%
Printing/Binding/Postage	3,000	3,069	3,140	3,212	3,286	3,361	12.0%
Rentals	14,206	14,206	14,206	14,206	14,206	14,206	0.0%
Dues/Conferences	200	205	209	214	219	224	12.0%
Advertising	12,000	12,276	12,558	12,847	13,143	13,445	12.0%
Supplies/Materials	6,285	6,429	6,577	6,728	6,883	7,042	12.0%
Capital Equipment	9,000	9,207	9,419	9,635	9,857	10,084	12.0%
Total Expenditures	1,134,837	1,175,102	1,218,105	1,264,105	1,313,391	1,366,283	20.4%
Net Expenditures	**(309,802)**	**(343,810)**	**(380,492)**	**(420,109)**	**(462,949)**	**(509,329)**	**64.4%**

Successes and challenges

Over the past few years, the Bureau has worked with the Fire Department to enforce the Pennsylvania Uniform Construction Code. The Fire Department provides up to nine inspectors, who are uniformed firefighters. The Bureau of Planning, Permits and Zoning had two vacant property maintenance inspector positions at the time of departmental interviews. The City plans to fill those vacancies by the end of 2011.

The Bureau also faces technological challenges as it struggles to review subdivision and land development plans, zoning applications, sewer planning modules and environmental plans on its dated in-house software application. As a result, Bureau staff is working with the City Bureau of Information Services to install new plan review software called On Base. That program is expected to improve the Bureau's capacity and efficiency to review subdivision and land development plans.

The Bureau does not have access to the latest geographical information systems (GIS) software (ArcGIS version 9.0). Instead, the Bureau uses an older version with a more limited plan review capability. In addition, over 80 percent of the revenues generated from plan submission and inspection fees are allocated to the costs of the third-party vendor contracted to handle some plan review. That vendor is on a three-year contract that expires in March 2012. If the OnBase software is fully operational by that time, the Bureau hopes to reduce its reliance on the third party vendor and do more plan review with its own personnel.

Bureau of Economic Development

Overview

The Bureau of Economic Development partners with businesses to nurture and initiate development and redevelopment projects in the City. Through marketing, public relations and advocacy on behalf of existing and new businesses, the Bureau seeks to develop the City as a residential, cultural, recreational and tourist destination. The Bureau is staffed by five people, including a Director, a Deputy Director, a residential development specialist, one planner and an administrative support person. Bureau staff coordinates residential development with the City's Redevelopment Authority and shares an employee with the Business Improvement District, which is called Downtown Inc.

Bureau Headcount

2006	2007	2008	2009	2010	2011
2	3	4	4	4	4

Financial Performance and Projections

The Bureau's operating expenses are covered by the City's General Fund. Capital improvement expenses are covered by City issued debt which is then repaid in designated debt service (or sinking) funds.[94] The table below shows the Bureau's historic expenditures since 2006. The line item for Professional Services, which includes various support activities for developing the Northwest Triangle Corridor, has significantly increased since 2006.

Historic Bureau Expenditures (All Funds)

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
Full-Time Salaries/Wages	121,087	113,673	117,547	148,031	159,866	32.0%
Leave Pay	5,847	17,011	32,353	25,251	16,684	185.3%
FICA	9,607	10,422	12,721	13,077	13,322	38.7%
Professional Services	83,706	130,139	168,599	172,567	300,184	258.6%
Insurance Allocations/Interfund Transfers	38,679	54,615	64,281	73,031	72,574	87.6%
Travel	157	306	396	1,480	2,180	1,290.5%
Printing/Binding/Postage	0	0	0	0	1,050	N/A
General Contracted Services	2,942	3,498	3,483	3,777	3,842	30.6%
Rentals	28,878	19,443	11,535	11,953	12,272	-57.5%
Dues/Conferences	4,155	5,000	7,126	9,720	10,170	144.8%
Advertising	3,000	1,305	1,200	3,897	14,069	369.0%
Supplies/Materials	3,908	1,307	876	1,463	1,435	-63.3%
Total	**304,711**	**365,663**	**442,245**	**464,247**	**609,808**	**100.1%**

The table below shows the projected expenditures for the Bureau through 2016. The projections are based on the City's budgeted expenses for FY2011 and the growth rates applied throughout this Plan update. The one-time $580,000 allocation for capital construction in FY2011 would be funded by the new bond issuance described in the Debt Service chapter.

[94] Please see the separate debt service section for more information.

Projected Bureau Expenditures (All Funds)

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Full-Time Salaries/Wages	192,597	197,575	202,681	207,920	213,293	218,806	15.0%
FICA	14,735	15,116	15,506	15,907	16,318	16,740	15.0%
Tuition Reimbursement	3,000	3,069	3,140	3,212	3,286	3,361	12.0%
Professional Services	352,000	360,096	368,378	376,851	385,518	394,385	12.0%
Insurance Allocations & Transfers	87,408	93,330	99,906	107,210	115,321	124,330	37.0%
Travel	2,500	2,525	2,550	2,576	2,602	2,628	5.1%
Printing/Binding/Postage	2,500	2,558	2,616	2,676	2,738	2,801	12.0%
General Contracted Services	3,500	3,581	3,663	3,747	3,833	3,921	12.0%
Rentals	18,506	18,506	18,506	18,506	18,506	18,506	0.0%
Dues/Conferences	10,000	10,230	10,465	10,706	10,952	11,204	12.0%
Advertising	15,000	15,345	15,698	16,059	16,428	16,806	12.0%
Supplies/Materials	2,500	2,558	2,616	2,676	2,738	2,801	12.0%
Capital Construction	580,000	0	0	0	0	0	-100.0%
Total	**1,284,247**	**724,487**	**745,727**	**768,046**	**791,535**	**816,290**	**-35.3%**

Successes and challenges

Developing the Northwest Triangle Corridor has been a primary development focus for the City since 2008. The Corridor was an old industrial section of the City that is being cleared, cleaned and prepared for mixed use development, potentially including new residential, commercial and retail activity. The Brownfield Mediation effort in that area is complete and the site is now "shovel ready."

Elsewhere the Greenway Technology Center project is complete and fully occupied. The Woolworth building has been renovated but was vacant at the time of departmental interviews. The same is true of the Bluebird building that was converted to a 30+ unit condominium and rental facility.

In addition, the Bureau operates the York Businesses Academy that provides bilingual business education programs to City merchants. Moving forward, the Bureau will develop the Rail Corridor as an incubator for light and heavy manufacturing facilities and focus on an industrial area of the City called the Salem District. The RDA is also focused on that area and has rehabilitated 11 properties and constructed five new town homes there. Cooperation between the City, RDA, Downtown Inc., the County and other economic development organizations is critical given the City's projected deficit and the lack of financial resources at the federal and state levels.

Initiatives

ED04.	**Create a micro financing program**	
	Target outcome:	Stimulate economic growth
	Five Year Financial Impact:	Not applicable
	Responsible party:	Department of Economic and Community Development

The lack of state and local resources to attract larger developers and the overall dearth of economic activity due to the recession create an opportunity to focus on small-scale organic entrepreneurial development such as shops, small retailers and grocers. The City could foster that growth by establishing a micro financing program. While the City's projected operating deficit makes any new investment difficult, the City could use a portion of its federal CDBG allotment[95] to establish a micro financing loan fund that provides community-based entrepreneurs with the capital to open stores that meet the community needs, alleviating the need for residents to travel outside the City for retail activity. The program could work similar to the City's existing revolving restaurant loan fund.

The City could establish a pilot micro financing fund for small businesses by setting aside $100,000 in project funds.[96] Eligibility for micro finance loans can be tethered to other CDBG project investments such as housing, façade improvements or eligible areas that are also designated under a Main or Elm Street program. The goal of the micro finance program is to provide local entrepreneurs with the capital to establish a business to serve the needs of the targeted neighborhood. The reduction of funds for Housing Services could create an opportunity to focus on the revitalization of the residential and commercial components of specific neighborhoods, rather than scattered investments throughout the City. For example, the fund could support the establishment of a corner food market that sells fresh fruits and vegetables to a neighborhood whose residents may have to travel outside the area to a large supermarket.

ED06.	**Align resources with Community Development initiatives**	
	Target outcome:	Coordinate City activities
	Five Year Financial Impact:	Not applicable
	Responsible party:	Department of Economic and Community Development

Collaborative investment of economic and community development resources that target specific neighborhoods will maximize a return investment. The collaborative initiatives may also create more sustainable districts, as the housing, economic, streetscape, façade improvements and business resources are combined to comprehensively address the needs of a neighborhood.

For example, an economic development project that utilizes the DCED Business In Our Sites Program, the Industrial Sites Reuse Program or the Tax Increment Financing Program, can be supplemented with funds from community development programs such as CDBG or the Neighborhood Assistance Program. The goal of the coordinated investments is to improve the "quality of life" offerings in the neighborhood so that the new business's employees will be incentivized to live and work in York. Similarly, investments in the community that are supported by economic development programs may improve the "quality of life" offerings for current residents, and the improved community may attract new businesses. The department's Old Town East initiative is a practical example of a coordinated economic and community development investment.

A diversity of independent economic and separate community development investments may create a challenge to the sustainability of the project. For example, the impact of a housing project could be mitigated by a lack of economic amenities, such as shops, restaurants and job offerings. On the reverse side, the impact of an investment by the City's restaurant revolving loan fund could be mitigated if the surrounding neighborhood does not provide the customers with a

[95] CDBG Revolving Funds are permitted under 24 CFR Subpart J-Grant Administration

[96] The City may need to amend the CDBG Five Year plan and will need to comply with the regulations for such programs.

welcoming and safe environment. The department has already taken progressive steps to align community and economic development initiatives by merging the two departments. The next step is to improve the synergy between the various programs.

Bureau of Health

Overview

As part of the City's Department of Economic and Community Development, the Bureau of Health provides public health services to York City residents. It is one of only four city health departments established under the Commonwealth's Local Health Administration Law (Act 315 of 1951).[97] Public health is usually a function of County government, but York County does not have a health department.

The Bureau's services focus primarily on preventative care intended to complement traditional health care. Staff provides preventative home visits, educational activities, immunization clinics, environmental health interventions and other services. The Bureau develops an annual health plan that assesses the care needs of City residents and drives the Bureau's annual goals.

The Bureau has two separate office locations. The administrative office is located at 227 West Market Street and all clinical services are provided at the Albert S. Weyer Health Center at 435 West Philadelphia Street.

The Bureau of Health offers the following services mostly free of charge[98]:

Personal Health Services

- AIDS/HIV testing and counseling
- Investigation of reported animal bites for potential disease transmission
- Communicable diseases identification and investigation
- Immunizations for vaccine-preventable diseases
- Maternal and child health programs
- Pregnancy testing
- Sexually transmitted diseases (STDs) verification and referral
- Tuberculosis testing and treatment

Emergency Preparedness and Response

- Emergency medical services
- Bioterrorism/emergency preparedness

Environmental Health Issues

- Childhood lead poisoning prevention
- City cemetery for indigent residents

Health Promotion and Disease Prevention Services

- Public health education
- Safe and healthy communities program
- Injury prevention
- Dental sealant program

[97] Other cities have health departments or bureaus, but they are often primarily focused on health and food-related code enforcement and permitting. For example, the City of Lancaster has a Health Division that inspects food serving establishments and works on lead poisoning prevention. The Cities of Allentown and Bethlehem have health departments that provide services similar to York's. Other cities, like Reading, do not have a specially designated Health department or bureau at all. The health and food-related code enforcement and permitting work is handled by another City bureau.

[98] The following services are detailed in the following publication: York City Bureau of Health. "Information Guide: Promoting and Protecting the Health of York City Residents." May 9, 2011

The Bureau's overall budgeted headcount has remained relatively stable, though specific positions are added or eliminated as community needs and available funding dictates. For example, the Bureau hired an Epidemiology Research Specialist and a part-time Lead Technician/Medical Assistant in 2010. In 2011 the Bureau eliminated a Health Education Specialist position and the Lead Technician/Medical Assistant position to hire another part-time Medical Assistant and a part-time Immunization Nurse to meet the increased demand for immunizations.

Bureau Headcount

2006	2007	2008	2009	2010	2011
21	20	19	19	21	21

Financial performance and projections

The City established the Bureau of Health in 1985 after it received a gift from funds left by local resident Albert S. Weyer for public health services. Weyer had died in 1906 and his $80,000 gift was used to establish the Weyer Trust. The Trust is administered by the York County Community Foundation, which directs most of the money to the City Bureau of Health. The Weyer Trust funds a small portion of the Bureau's expenditures, just 4.3 percent of the total budget in 2011.

The majority of the Bureau's funding (92.8 percent in 2011) comes from various federal and state grants. The Bureau uses grant funding to cover the costs of running the associated program, including staff salaries and benefits. The City also uses a portion of these grants to cover the administrative costs incurred by other departments (i.e. finance, information services, human resources) in supporting the Bureau's work. The City's 2011 budget shows the following grant revenues and expenses in a State Grant Fund that is separate from the General Fund.

2011 Grant Funded Programs

	Program Revenue	Program Expenses	Net result
Adult injury	33,000	32,468	532
AIDS counseling/testing	87,630	85,822	1,808
AIDS education	76,000	73,461	2,539
Cholesterol	88,250	85,725	2,525
Home visitor	75,000	73,177	1,823
State health grant	417,598	517,309	-99,711[99]
Immunization	800,000	717,831	82,169
Lead testing/abatement	167,000	162,510	4,490
Bioterrorism	208,315	176,922	31,393
Dental health	53,000	51,193	1,807
Total	**2,005,793**	**1,976,418**	**29,375**

[99] It is not clear from the available information how the City will cover this projected deficit.

The Bureau also receives some support from the City's General Fund. The 2011 budget shows $202,000 in General Fund expenses offset by $60,000 in program revenue, for an anticipated net contribution of $142,000.

The table below shows the Bureau's revenues and expenses across all funds. On average between 2006 and 2010, the Bureau spent $310,000 more than it received with most of the deficit appearing in the State Health Grant Fund.

Historic Revenues and Expenditures

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change
State Health Grant Fund - revenues	1,365,519	1,531,903	1,183,396	1,486,514	1,360,701	-0.4%
State Health Grant Fund - expenses	1,562,988	1,780,479	1,526,503	1,457,837	1,573,810	0.7%
Net result	**(197,470)**	**(248,576)**	**(343,107)**	**28,677**	**(213,109)**	**7.9%**
Weyer Trust Fund - revenues	98,670	100,455	137,693	101,228	93,608	-5.1%
Weyer Trust Fund - expenses	142,837	130,907	136,519	141,451	96,921	-32.1%
Net result	**(44,166)**	**(30,452)**	**1,173**	**(40,224)**	**(3,313)**	**-92.5%**
Special Projects Fund - revenues	0	0	4,093	16,468	14,439	N/A
Special Projects Fund - expenses	0	2,093	2,335	13,902	14,760	N/A
Net result	**0**	**(2,093)**	**1,758**	**2,566**	**(321)**	**N/A**
General Fund - revenues	19,119	6,532	1,230	1,236	13,979	-26.9%
General Fund - expenses	86,492	86,904	85,900	116,566	127,276	47.2%
Net result	**(67,373)**	**(80,372)**	**(84,670)**	**(115,330)**	**(113,297)**	**68.2%**
Total result	**(309,009)**	**(361,493)**	**(424,846)**	**(124,311)**	**(330,040)**	**6.8%**

Because the Bureau's activities are partially driven by what grant money is available, it is difficult to project what the City will spend in future years. The projections below are based off the revenues and expenses in the City's 2011 budget. Grant funding is held flat over this period, which is consistent with historical experience over the previous five years. Absent any changes, expenditures are expected to increase. In 2011 the majority of the Bureau's expenses are related to personnel (58.7 percent) or contracted services (23.5 percent) for the grant-funded programs.

Projected Bureau Expenditures

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
State Health Grant Fund - revenues	2,005,793	2,005,793	2,005,793	2,005,793	2,005,793	2,005,793	0.0%
State Health Grant Fund - expenses	1,976,418	2,039,425	2,106,339	2,177,515	2,253,349	2,334,276	18.1%
Net result	**29,375**	**(33,632)**	**(100,546)**	**(171,722)**	**(247,556)**	**(328,483)**	N/A
Weyer Trust Fund – revenues	94,000	94,000	94,000	94,000	94,000	94,000	0.0%
Weyer Trust Fund – expenses	93,104	95,700	98,461	101,402	104,539	107,893	15.9%
Net result	**896**	**(1,700)**	**(4,461)**	**(7,402)**	**(10,539)**	**(13,893)**	N/A
General Fund – revenues	60,000	60,000	60,000	60,000	60,000	60,000	0.0%
General Fund – expenses	201,707	206,713	211,978	217,525	223,376	229,559	13.8%

Category	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Net result	(141,707)	(146,713)	(151,978)	(157,525)	(163,376)	(169,559)	19.7%
Total result	(111,436)	(182,045)	(256,985)	(336,649)	(421,471)	(511,935)	359.4%

Successes and challenges

The Bureau of Health tracks the services it provides to City residents and presents that information to the Commonwealth of Pennsylvania in quarterly reports. The Bureau sets annual health goals to increase its effectiveness and reduce illness in the community. Many of the goals are based on the federal government's *Healthy People* goals.

Below are some measures of the City's recent activities, successes and challenges[100].

- The number of reportable conditions in the City decreased by 18.4 percent from 1,086 cases in 2009 to 917 in 2010. Sexually transmitted infections remain the most frequently reported group of communicable diseases.

- Animal bites decreased by 26.9 percent from 85 in 2009 to 67 in 2010. The three-year average decreased by a similar percentage over this time.

Number of Animal Bites Reported to the Health Bureau

Annual Number	Three-Year Average
2006 - 75	2004-06 - 94
2007 - 89	2005-07 - 86
2008 - 71	2006-08 - 78
2009 - 85	2007-09 - 81
2010 - 67	2008-10 - 74

- Fewer lead poisoning cases were reported in 2010, possibly due to decreased State and federal funding that resulted in less screening activities. Of the 1,462 children tested, 37 cases of lead poisoning were reported.

- Influenza cases decreased dramatically with only four cases in 2010 compared to 71 in 2009. The immunization program provided over 3,000 influenza vaccinations at over 30 locations throughout the City in 2010.

- The Bureau provided maternal child health services to women on issues of pregnancy, labor and delivery, nutrition and infant care through home visits and group classes.

- The percentage of births to City teens continues to be a major challenge as 18 percent of births in 2008 were to teens, a rate above both Commonwealth and York County averages. The *Healthy People* objective for 2010 is 4.3 percent.

[100] The following statistics are detailed in the following publication: York City Bureau of Health. "2011 Annual Program Plan."

Percentage of Births to Teens

Year	PA	York County	York City
2004	9.0	9.2	19.2
2005	9.5	8.8	17.0
2006	9.3	10.6	22.1
2007	9.8	10.4	18.0
2008	9.3	10.0	18.0

- The Bureau provided oral health and hygiene services to students through the school-based dental sealant program. In the program's fourth year (2010), 261 students were screened with 179 receiving sealants. Immunization clinics also supplied 128 children with fluoride tablets.

- The Bureau contracted with Planned Parenthood for STD testing with payments on a per visit basis.

- The Bureau worked with York College to provide flu shots, HIV testing and educational materials.

Other departmental successes include planning a response to a potential H1N1 outbreak and implementing an appointment system for immunizations at the Health Center to reduce the number of walk-ins and wait time and improve employee productivity. The Bureau also helped create community gardens and increase the number of bike lanes through 'Eat, Play, Breathe York' and other programs.

Like the City as a whole, securing a stable, adequate level of funding is one of the Bureau's biggest challenges. Even if the total level of grant funding remains relatively constant, the programs that can be funded by grants change over time. Although the Bureau tries to plan accordingly and typically reduces travel and other operating expenses before cutting staff, this lack of consistency is challenging.

Another challenge is coordinating the Bureau's activities across its own two locations and remaining connected to other City departments located elsewhere. The Bureau would also like to increase marketing, which is currently done on a program-by-program basis. The Bureau seeks to create a general marketing plan with new branding and expand outreach to the York City School District and area medical and dental providers.

Initiatives

HE01.	**Generate sufficient revenue to phase out General Fund subsidy**	
	Target outcome:	Balance program revenues and expenses
	Five Year Financial Impact:	$678,000
	Responsible party:	Health Bureau

The Bureau of Health provides valuable services to vulnerable segments of the City's population who would otherwise be susceptible to more severe health problems. The Bureau's work contributes to healthier schools, quicker identification and treatment of communicable diseases and a more educated population. As valuable as the Bureau's services are, it is very rare for a Pennsylvania local government to provide the particular services that York does.

Most, but not all, of the Bureau's costs are covered by outside funding. The City's 2010 financial results show a General Fund subsidy of $113,000. The State Health Grant Fund showed a deficit of $213,000 in 2010 and similar deficits from 2006 to 2008. It is not clear how the City covers the apparent recurring deficit in this fund, and it is important to determine that there is not additional General Fund subsidy in this budget category.

Focusing on the identified General Fund subsidy projected at $142,000 in 2011, the City should identify and pursue options to reduce this subsidy so the Bureau's costs are fully supported by grants or program revenue. The City faces a large multi-million dollar deficit as soon as 2012. Therefore, those services that are presumed to be cost neutral need to achieve that objective as soon as possible. There are similar initiatives related to the White Rose Community Television station, Bureau of Housing and recreation activities in the Business Administration, Community and Economic Development and Public Works sections of this Plan, respectively.

Bureau staff may be able to identify and curtail activities that are not grant funded. Other expenses are partially covered by grants and partially covered by the General Fund, such as building rent ($32,000 General Fund allocation in 2011). In these cases, the City cannot eliminate just the non-grant funded portion and may not be able to allocate any more of the total costs to grants. Therefore the Bureau may have to seek more outside funding to cover its full costs. While the Bureau does not want to make its fees so high that they are cost-prohibitive to disadvantaged residents, there are options to alleviate this concern.

- **Phased pricing:** The Oklahoma City-County Health Department provides flu vaccinations for a charge of $25.00 but waives the out-of-pocket payments for children and adults who do not have insurance or fall below a certain income threshold.

- **Fees with ensured access:** The City of Warren, Ohio charges fees for adult and child immunizations, STD treatment and tuberculosis testing at its clinic. The clinic's policy is that no one will be denied service if they cannot pay.

- **Medicare reimbursement:** The Bureau should submit costs to Medicare, Medicaid or private insurance companies for reimbursement where eligible. The City of Bethlehem, Pennsylvania charges $10 for a flu vaccination to residents who have private insurance.[101] Residents who only have Medicare Part B receive the vaccination for free.

- **Non-government grant support:** Since the services that the Bureau provides help prevent illnesses or limit their severity, the City should seek further financial support from health providers that would have higher, unreimbursed costs in the Bureau's absence.

The goal of this initiative is not to prevent disadvantaged residents from receiving the care they need but rather to ensure the financial viability of the Bureau so that it can continue its work. The projected impact below sets a goal for the Bureau to generate half of what it needs to eliminate the General Fund subsidy in 2012, 75 percent of the subsidy in 2013 and 100 percent thereafter.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	73,000	114,000	158,000	163,000	170,000	678,000

[101] Bethlehem also charges $5 for the tuberculosis skin test. Non-residents can be treated at the City's STD clinic for $40.

Revenue

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Revenue

The Early Intervention Plan Update is proposed in the wake of one of the most significant economic downturns in recent history. In December 2007, the U.S. economy entered the longest recession of the postwar era, with the economy contracting for 18 months. The prior two recessions in 2001 and 1990-1991 each lasted just eight months, as determined by the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER). While a trough was identified as of June 2009, the economy and labor market remain weak. The national economy lost over 8.6 million jobs from December 2007 through December 2009 and only regained about 1.9 million jobs from December 2009 through July 2010. During this time, the York metropolitan area lost 10,328 jobs, or 4.7 percent of pre-recession employment through June 2011.[102]

Across the nation, local governments will likely continue to see a flat or negative revenue trend in the near future. At a national level residential property tax revenue decreases are also likely for 2011 and 2012 given the 2010 decline in property values. An October 2010 National League of Cities (NLC) survey finds city finance officers projecting that general fund revenues will decline by 3.2 percent, including a 1.8 percent decline in the property tax. The survey also found that the 2010 decrease is the largest downturn in revenues in the history of NLC's survey, with revenues declining for the fourth year in row. Moreover, city budgets tend to lag economic conditions by at least 18 months, suggesting that 2011 will likely bring further revenue decreases.[103]

These cyclical factors associated with the recent recession exacerbate York's longer term structural weakness in areas that will produce revenue growth. As noted in the Plan Introduction, the City's growth in population, income and wealth lags behind the rest of the County, the Commonwealth and the nation. York was perhaps less vulnerable to the dramatic drop in property values that other communities have experienced since 2007, but only because the City did not enjoy the rapid growth in property values leading up to that time.

This chapter explains the City's major revenue sources and the changes that the City has made since the 2006 Early Intervention Plan to diversify and grow those revenues. It explains the revenue projection assumptions that underlie this update and offers options that the City could pursue to generate more revenue from new and existing sources.

Overview

Just as the City spends money out of several funds, it receives revenues through several funds. The City receives property tax revenues in its General Fund, Recreation Fund and several sinking funds dedicated to paying debt service. The Recreation Fund and the funds related to the York City Ice Rink collect revenue through service charges. Other funds, like the Internal Service Fund, receive most of their revenue through interfund transfers. This structure makes it difficult to describe the City's revenue performance across all major funds. Interfund transfers are a vital part of the City's financial operations, but presenting them on a cash basis across all funds would in some cases count the same dollar twice − once as it comes into the first fund and a second time when it is transferred to a different fund. Therefore the majority of this chapter focuses on the City's General Fund, with money collected outside that fund noted in the case of property tax and service charges.

The City's General Fund revenues since 2006 are shown in the table and charts below and organized by revenue type.

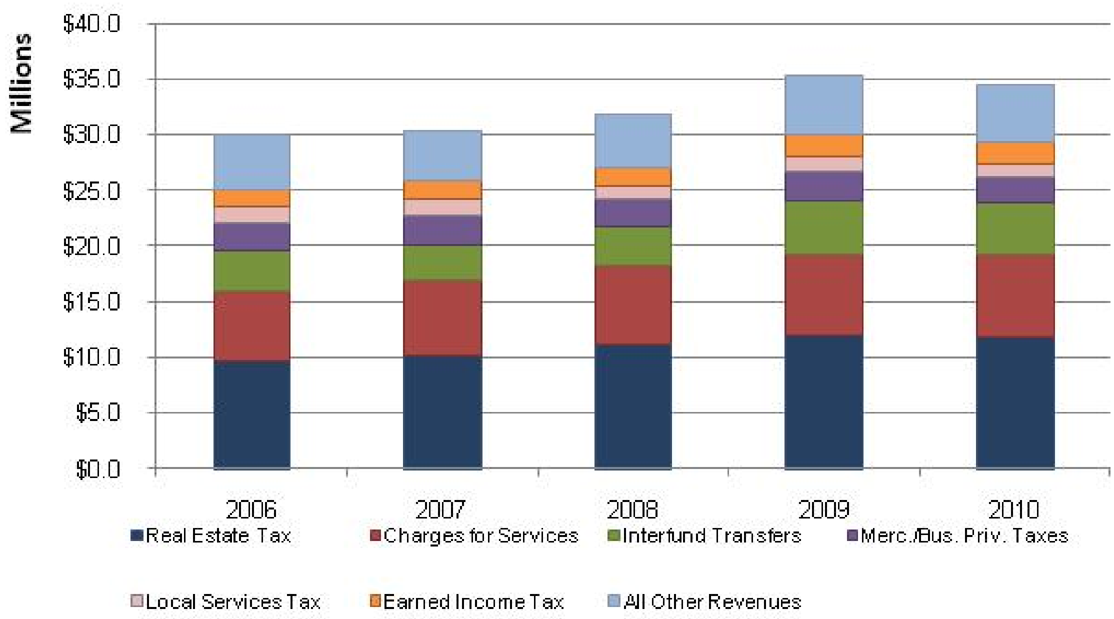
[102] US Bureau of Labor Statistics, Local Area Unemployment Statistics.

[103] Michael Pagano and Christopher Hoene. "City Fiscal Conditions in 2010." National League of Cities. October 2010

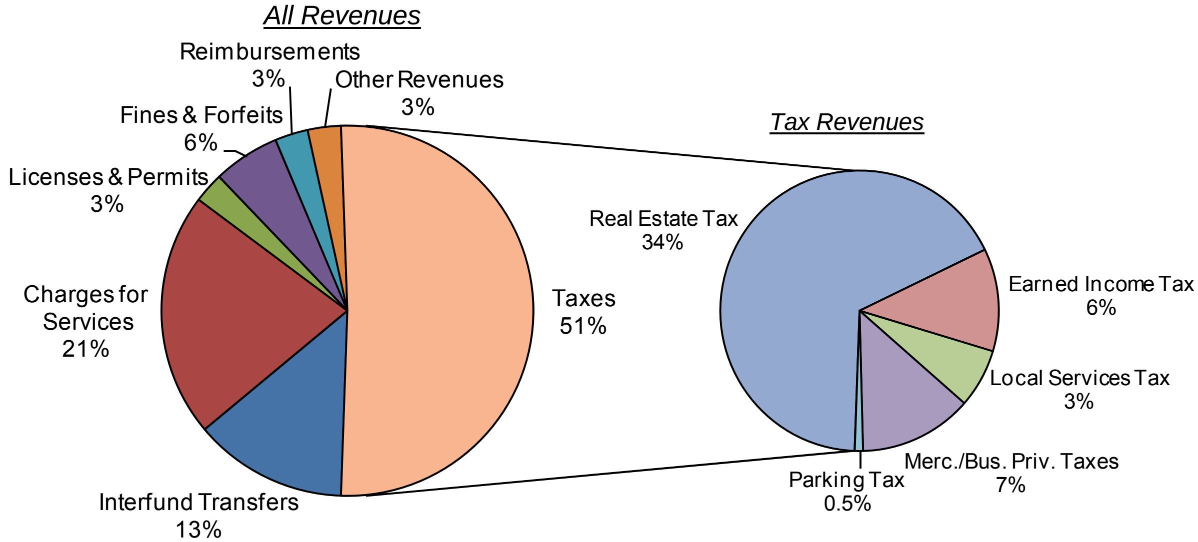
Historical Revenues by Source, 2006–2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change 2006-2010
Real Estate Tax	9,640,054	10,151,845	11,100,061	11,872,525	11,845,665	22.9%
Earned Income Tax	1,455,110	1,665,677	1,754,821	1,993,339	2,097,836	44.2%
EMST/LST	1,547,833	1,544,072	1,077,398	1,292,697	1,200,902	-22.4%
Mercantile/Business Privilege Taxes	2,473,708	2,614,273	2,474,708	2,740,146	2,305,822	-6.8%
Admissions Tax	0	0	0	0	0	N/A
Parking Tax	0	33,233	98,848	161,863	168,863	N/A
Tax Revenue Subtotal	**15,116,705**	**16,009,099**	**16,505,836**	**18,060,570**	**17,619,087**	**16.6%**
Licenses & Permits	1,062,458	861,810	1,061,335	908,828	909,499	-14.4%
Fines & Forfeits	1,393,280	1,295,193	1,493,127	1,747,551	2,003,206	43.8%
Interest	332,111	351,327	213,498	49,720	0	-100.0%
Intergovernmental Revenues	430,131	463,969	375,414	701,149	313,932	-27.0%
Charges for Services	6,276,742	6,767,341	7,053,247	7,396,758	7,319,259	16.6%
Contributions/PILOTs	605,678	404,710	541,882	551,561	550,786	-9.1%
Miscellaneous Sales	57,926	49,171	57,992	103,005	133,429	130.3%
Rents, Loans, Program Income	24,000	94,500	10,500	0	0	-100.0%
Reimbursements	1,062,846	927,883	951,435	1,093,708	996,138	-6.3%
Interfund Transfers	3,636,237	3,163,431	3,620,368	4,710,294	4,622,451	27.1%
Other Revenue Subtotal	**14,881,409**	**14,379,335**	**15,378,798**	**17,262,574**	**16,848,698**	**13.2%**
TOTAL	**29,998,113**	**30,388,434**	**31,884,634**	**35,323,144**	**34,467,785**	**14.9%**

General Fund Revenues Structure by Source, 2006–2010

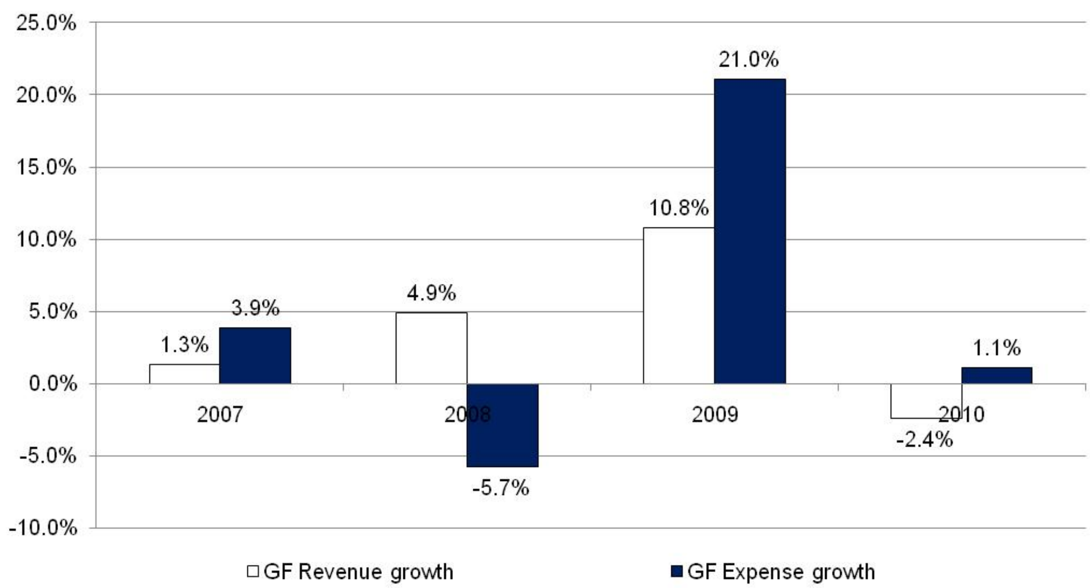


General Fund Revenues by Category, 2010 Actual



One measure of a City's financial stability is whether its revenues are growing as fast as its expenses. If that is not the case, a government with a narrowly positive operating result will begin experiencing operating deficits, and a government with an operating deficit will fall further behind. As the graph below shows, York's General Fund revenues have not grown as fast as its General Fund expenses in any year except 2008. Overall, General Fund expenses grew by 19.9 percent while General Fund revenues grew by 14.9 percent from 2006 to 2010.

Annual Growth over Prior Year, 2007–2010



Tax revenue receipts

Revenue from the City's five largest taxes – real estate, earned income, local services, mercantile and business privilege – accounted for 50.6 percent of all General Fund receipts in 2010. That is close to the share of total revenue from these five sources in 2006 (50.4 percent). These sources account for 51.0 percent of General Fund revenues budgeted for FY2011 (not including a one-time state grant).

These top five tax revenues are covering a diminishing portion of the City's General Fund expenses. In 2008, the combined General Fund revenue from real estate, earned income, local service, mercantile and business privilege taxes covered 54.0 percent of the City's General Fund expenses. In 2010, those five taxes only covered 46.9 percent of the General Fund expenses, despite regular increases in the property tax rate.

Share of General Fund Expenses Covered by Five Largest Taxes

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated
Largest tax revenues (GF only)	15,116,705	15,975,867	16,406,988	17,898,707	17,450,225
General fund expenses	31,031,287	32,237,912	30,391,721	36,786,915	37,199,274
Percentage covered	48.7%	49.6%	54.0%	48.7%	46.9%

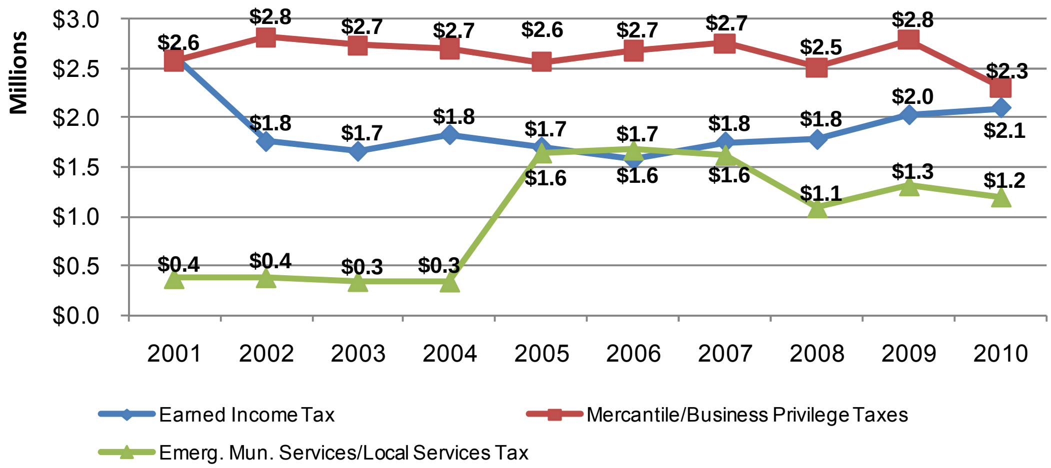
Changes since 2006

The 2006 EIP noted that York's major revenue sources were growing at a rate below inflation. While that EIP concentrated on strategies to mitigate the City's rapid expenditure growth, it also proposed reforms to the City's revenue structure to diversify its base and draw new or increased revenue out of other non-tax sources. The options mentioned in the 2006 plan included a parking tax, public-private partnerships for debt collection, market-based revenue opportunities (MBRO), a mechanical devices tax, a per capita fee on college students, collecting the five percent admissions tax and connecting fees and charges to an inflation index. The Plan did not recommend a real estate tax increase given the City's high property tax rate relative to other York County communities. It did assume the County would complete a reassessment in 2006 that would increase assessed value of City property by 12.8 percent.

Since 2006, the City enacted some options listed in the 2006 Plan, such as levying a new parking tax at 10 percent of gross receipts, collecting the five percent admissions tax and beginning a MBRO program. The City also expanded the hours for parking meter collection and enforcement and increased several fees and fines.

Outside of these policy changes, the national, regional and local economy all suffered during the recession. This short term shock exacerbated a longer term weakness in the City's major tax revenues. Once inflation-related growth is removed, City tax revenues directly connected to employment – earned income, local service, mercantile and business privilege taxes – have remained flat (0.7 percent increase) since 2001 and dropped (-5.4 percent) since 2006. Since 2006, earned income tax (EIT) revenues have increased by 33.3 percent but mercantile/business privilege tax revenue dropped by 13.8 percent and local service tax revenue dropped by 28.3 percent.

Inflation Adjusted General Fund Tax Revenues, 2001–2010[104]



Given the City's current form of government and Commonwealth law, the City cannot increase the rates for the taxes shown above. York County completed its reassessment in 2006 and increases in assessed values led to a 10 percent increase in property tax revenue. That same year, the City reduced its property tax rate by 0.35 mills to account for this increase in market value. Because the sum impact of these changes were not enough to bring the City into balance on an annual basis, the City also increased the real estate tax rate by 44.2 percent since 2006.

Historical performance and out-year projections

The next section takes a closer look at the performance of major revenues for 2006 through 2010 and explains how they are projected in this EIP through 2016. Taxes are addressed first, followed by non-tax sources of revenue. Before looking at specific revenue projections, it is important to understand the overall approach used to make these estimates.

The baseline projections apply assumed future growth rates to the level of revenue that the City budgets for 2011. The baseline projections account for one-time revenues, like the $5.0 million Redevelopment Assistance Capital Program (RACP) state grant, so they do not skew the long term projections. But the projections do not account for the potential that actual revenues in FY2011 may not reach the budgeted amounts. The City's 2011 budget also anticipates that real estate tax revenue will increase by 14.2 percent following the tax increase enacted this year. It is too early to know if the City is on track to meet that target. Greater revenue diversification will help the City better absorb a shortfall in any particular revenue source.

Second, the baseline projections assume that total tax rates will remain the same through 2016. Any growth in baseline revenue would occur naturally through tax base growth (i.e. increased resident income, more economic activity). This does not mean that the City will not increase any taxes through 2016, but the baseline shows the City's projected situation absent any changes.

Finally, the projections are made at a point of considerable uncertainty about the national and regional economy. Many factors that drive government revenues are not immediately controlled by government, so there is always an inevitable element of risk in projecting public sector revenues. That risk is even greater now given the uncertainty surrounding the national and regional economy. It is impossible to know how long it will take the broader economy to fully recover and how that recovery will impact the City. The City's recent results do not provide much guidance on this point. Some employment-based

[104] BLS inflation adjustment factor applied to City reported tax revenues for 2001 – 2010. The large change in EMST/LST revenues from 2004 to 2005 is explained later in this chapter.

tax revenues exceeded budgeted levels in 2010 while others fell short. The revenue portion of the Early Intervention Plan is based on the most recent data available, but given the volatile situation, the City will need to closely monitor the ongoing economic recovery and make adjustments accordingly.

General Fund Revenue Projections

	2010 Estimated	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change 2011-2016
Real Estate Tax	11,845,665	13,907,571	14,030,244	14,030,244	14,030,244	14,030,244	14,030,244	0.9%
Earned Income Tax	2,097,836	2,200,000	2,222,000	2,244,220	2,266,662	2,318,795	2,372,128	7.8%
EMST/LST	1,200,902	1,350,000	1,363,500	1,377,135	1,390,906	1,422,897	1,455,624	7.8%
Mercantile/Business Privilege Taxes	2,305,822	2,350,000	2,373,500	2,397,235	2,421,207	2,476,895	2,533,864	7.8%
Admissions Tax	0	150,000	151,500	153,015	154,545	158,100	161,736	7.8%
Parking Tax	168,863	200,000	202,000	204,020	206,060	210,800	215,648	7.8%
Tax Revenue Subtotal	**17,619,087**	**20,157,571**	**20,342,744**	**20,405,869**	**20,469,626**	**20,617,731**	**20,769,244**	**3.0%**
Licenses & Permits	909,499	822,700	831,005	839,395	847,870	856,433	865,082	5.2%
Fines & Forfeits	2,003,206	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000	0.0%
Interest	0	20,000	20,200	20,402	20,606	20,812	21,020	5.1%
Intergovernmental Revenues	313,932	5,782,803	782,803	782,803	528,053	528,053	528,053	-90.9%
Charges for Services	7,319,259	8,135,385	8,216,882	8,299,197	8,382,338	8,466,315	8,551,135	5.1%
Contributions/PILOTs	550,786	584,400	584,400	584,400	584,400	584,400	584,400	0.0%
Miscellaneous Sales	133,429	145,375	145,375	145,375	145,375	145,375	145,375	0.0%
Rents,Loans, Program Income	0	132,000	132,000	132,000	132,000	132,000	132,000	0.0%
Reimbursements	996,138	1,166,336	1,166,336	1,166,336	1,166,336	1,166,336	1,166,336	0.0%
Interfund Transfers	4,622,451	4,804,456	4,804,456	4,804,456	4,804,456	4,804,456	4,804,456	0.0%
Other Revenue Subtotal	**16,848,698**	**23,681,455**	**18,771,457**	**18,862,364**	**18,699,435**	**18,792,180**	**18,885,858**	**-20.3%**
TOTAL	**34,467,785**	**43,839,026**	**39,114,201**	**39,268,233**	**39,169,061**	**39,409,911**	**39,655,101**	**-9.5%**

The City's largest source of revenue is the real estate (or property) tax, which generated 34.3 percent of all General Fund revenue and 67.2 percent of tax related revenue in 2010. The real estate tax associated with the Recreation Fund generated 63.5 percent of that fund's revenue in 2010. This category includes delinquent and prior year real estate tax collections, which accounted for $1.59 million or 10.6 percent of total real estate tax revenues in 2010.

The City levies a 17.636 mill real estate tax on the assessed value of land and buildings, of which 14.115 mills are allocated to the General Fund, 1.250 mills to the Recreation Fund and 2.271 mills to debt service on four outstanding general obligation bonds. An additional 29.54 mills are charged by the York City School District and 4.15 mills by York County, for a total millage of 51.33 on properties in the City. A property assessed at the median home value of $73,300[105] would therefore pay a City tax of $1,293, a school district tax of $2,165 and a County tax of $304 for a total of $3,762. To cope with the increasing cost of government services, the City has increased the real estate tax millage rate each year since 2006 for a cumulative 44.2 percent increase in the tax rate.

Over the past 10 years, York has experienced little to no natural growth in its real estate tax base. The most significant change came in 2006 when the results of York County's reassessment were applied to the City's assessed value. In 2010 the tax exemptions provided to properties located in Keystone Opportunity Zones expired, bringing those properties onto the tax rolls and increasing assessed value by 3.0 percent. Outside of these events, the City has not had assessed value growth.

City of York Assessed Value, 2001–2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Value	881,412,500	887,037,970	888,323,840	885,874,628	884,346,493	999,999,723	1,000,864,858	999,227,979	993,850,759	1,024,082,587
Annual Increase		0.6%	0.1%	-0.3%	-0.2%	13.1%	0.1%	-0.2%	-0.5%	3.0%

[105] Median value in 2009 as reported by the US Census Bureau

Pursuant to County Ordinance 2004-01, York County real property reassessments are only triggered when the common level ratio (a State Tax Equalization Board-determined ratio of assessed values to sales prices) falls below 85 percent of market value. York County's assessment rate (ratio of assessed to market value) was 101.4 percent in 2009. Given the current state of the County's housing market, it is unlikely that sales prices will rise enough to trigger reassessment before 2016, the last year covered by the financial projections in this Plan.

The prevalence of tax-exempt property in the City further depresses assessed value growth. York, like many Pennsylvania urban centers, has a high percentage of property committed to governments, religious institutions and other organizations that are generally exempt from paying property taxes. Thirty-seven (37) percent of the City's property was tax-exempt as of 2009, more than four times the percentage for the rest of the County. While the tax exempt institutions also provide employment that generates earned income tax revenue and may provide other services to residents, the properties held by these institutions do not contribute to the City's property tax base. If York had the same rate of tax-exempt property as the rest of the County in 2009, it would have generated $4.4 million more in revenue or could have reduced its 2009 millage by 4.9 mills.

In the absence of natural growth in assessed value, the City has relied on tax rate increases to grow its largest source of revenue. As of 2011 the City has the highest real estate tax rates of the 72 municipalities in the County. The York City School District's millage is also the highest of 16 school districts in the County. With the County's millage included, the 51.33 combined millage on City properties is well above the County average (26.57) and median (25.55).

2011 Real Estate Tax Rates, York County Municipalities

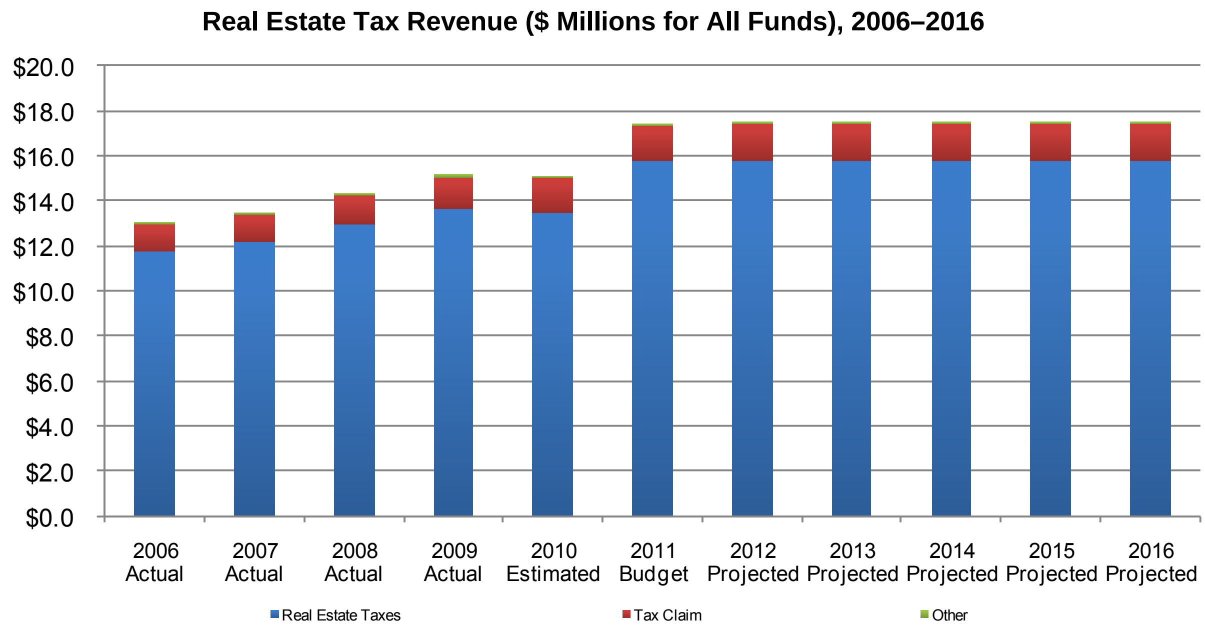
	Municipal Millage	SD Millage	County Millage	Total Millage
City of York	17.636	29.540	4.150	51.326
York County Average	3.033	19.389	4.150	26.572
York County Median	1.925	19.471	4.150	25.546
City rank	1 of 72	1 of 16	N/A	1 of 72

Source: DCED Governor's Center for Local Government Services; County Assessment Offices.

Given the factors described above, the baseline projection anticipates no growth in real estate tax revenue through 2016. That is, the City's real estate tax revenue is not expected to increase absent future growth in real estate tax rates. The City will make its last payment on its 2002 bond issue in 2013, so the 0.651 mills dedicated to that purpose will expire in 2014. However this Early Intervention Plan assumes that the expiring millage will be allocated to the General Fund in 2014, resulting in no net change to the total millage rate. The projections of Real Estate Tax revenues below include delinquent real estate tax revenue.

Real Estate Tax (All Funds), Actual and Projected

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Real Estate Taxes	11,729,341	12,174,693	12,918,399	13,644,447	13,491,112	15,772,379	15,772,379	15,772,379	15,772,379	15,772,379	15,772,379
Tax Claim	1,202,788	1,219,357	1,286,832	1,370,992	1,534,803	1,524,731	1,639,804	1,639,804	1,639,804	1,639,804	1,639,804
Other	55,658	59,046	138,651	118,550	58,303	117,619	117,619	117,619	117,619	117,619	117,619
Real Estate Taxes - Prior	55,658	59,046	31,277	22,762	58,303	45,000	45,000	45,000	45,000	45,000	45,000
Real Estate Taxes - TIF	0	0	107,374	95,788	0	72,619	72,619	72,619	72,619	72,619	72,619
Total Tax Revenue	**13,043,444**	**13,512,142**	**14,482,533**	**15,252,539**	**15,142,521**	**17,532,347**	**17,647,421**	**17,647,421**	**17,647,421**	**17,647,421**	**17,647,421**
Annual Growth	N/A	3.6%	7.2%	5.3%	-0.7%	15.8%	0.7%	0.0%	0.0%	0.0%	0.0%
Millage	13.170	13.670	14.670	15.635	15.636	17.636	17.636	17.636	17.636	17.636	17.636
Rate Growth (%)	N/A	3.8%	7.3%	6.6%	0.01%	12.8%	0.0%	0.0%	0.0%	0.0%	0.0%



Earned Income Tax

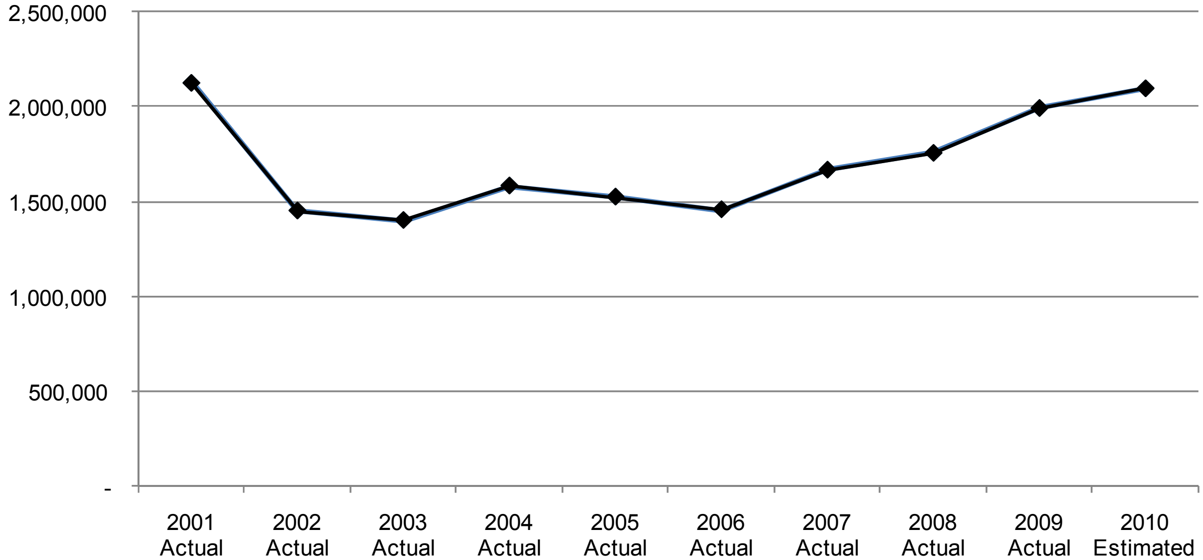
York's earned income tax applies to individuals' wages and salaries and net profits from for-profit businesses. This category includes both current year tax receipts as well as delinquent collections. In general, municipalities are limited by the Commonwealth's Local Tax Enabling Act to a maximum EIT rate of 1.0 percent. If the school district also levies an earned income tax, the City and School District each get a half of the 1.0 percent unless both taxing bodies agree to another arrangement. That is the case in the City of York and the other 71 municipalities in York County.

Commuters who work in the City of York but live elsewhere are subject to the City's 0.5 percent EIT rate.[106] However, if the commuters' home municipality is in Pennsylvania and it also levies the EIT – as the other 71 municipalities in York County all do – then the City of York must remit non-resident tax revenue to that municipality. The complicated tax collection-remittance system for commuters will be simplified beginning in 2012 when all taxing bodies in York County begin using a central tax collector as required by Commonwealth Act 32 of 2008. Each one of York County's 72 municipalities shares its earned income tax with its local school district and maintains a municipal rate of 0.5 percent.

From 2006 through 2010 EIT revenues showed consistent growth, rising on average 9.7 percent per year during this period, even during the recent recession. When viewed in a longer context, the growth from 2006 through 2010 may just signal a rebound from the drop experienced in the first half of that decade. Between 2001 and 2006, the City's EIT revenue dropped by 31.6 percent. Over the full 10 year period (2001 to 2010), the City's EIT revenues dropped by 1.3 percent.

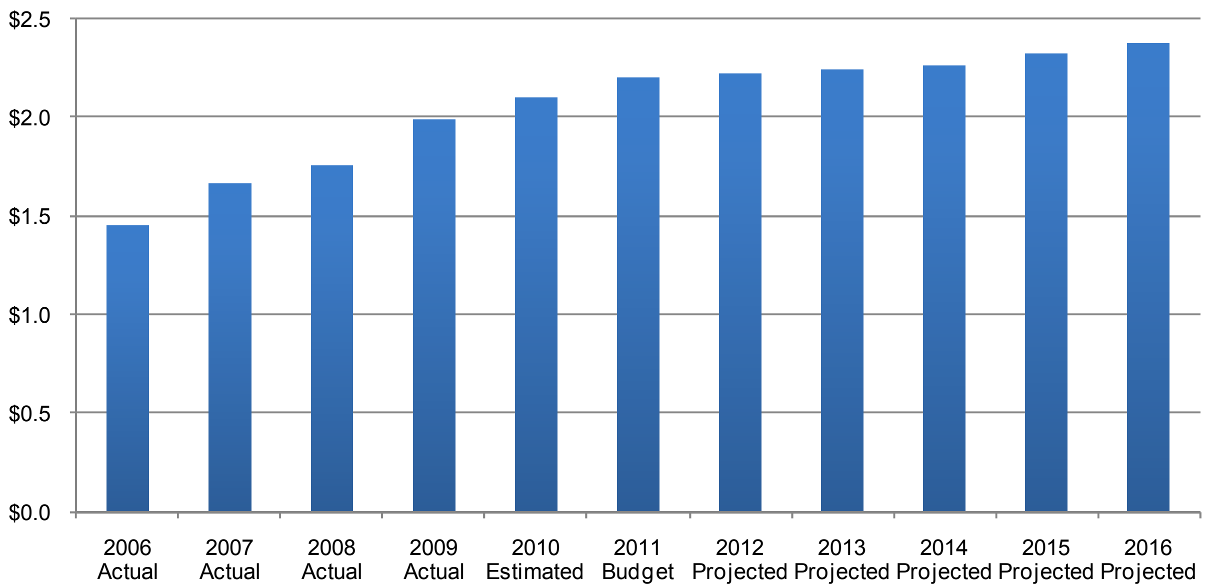
[106] Non-residents are not subject to the York City School District's 0.5 percent EIT rate. School Districts are not permitted to levy an earned income tax on non-residents.

Earned Income Tax Revenues, 2001–2010



Given the long term historical trend and the slow growth in median household income and per capita income, this Plan projects that EIT revenues will grow by 1.0 percent in 2012, 2013 and 2014 and 2.3 percent thereafter.

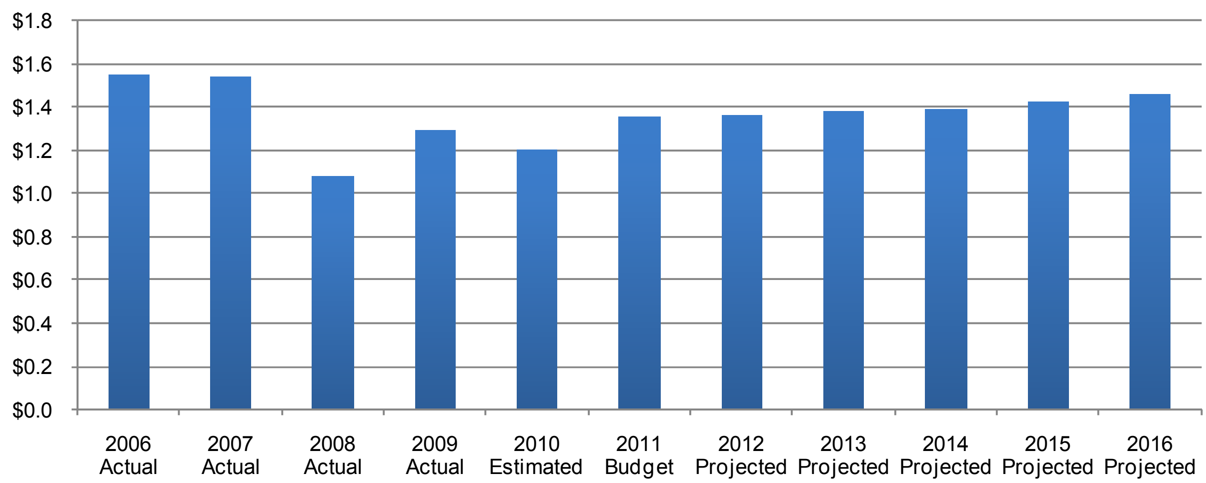
Earned Income Tax Revenue, 2006–2016 ($ Millions)



Mercantile and Business Privilege Taxes

The mercantile and business privilege taxes, which the City reports together, accounted for 13.1 percent of tax revenues and 6.7 percent of total General Fund revenues in 2010. The Mercantile Tax is a $1.50 tax per $1,000 of gross receipts on retail businesses and a $1.00 tax per $1,000 of gross receipts on wholesale businesses. The Business Privilege Tax is a $3.50 tax per $1,000 of gross receipts on service businesses. Mercantile and business privilege tax revenues are directly related to economic activity in the City and did not have a consistent pattern of increase or decrease from 2006 through 2010. This update projects revenue from these sources will grow by 1.0 percent annually in 2012, 2013 and 2014 and 2.3 percent in 2015 and 2016.

Mercantile and Business Privilege Tax Revenue 2006–2016 ($ Millions)



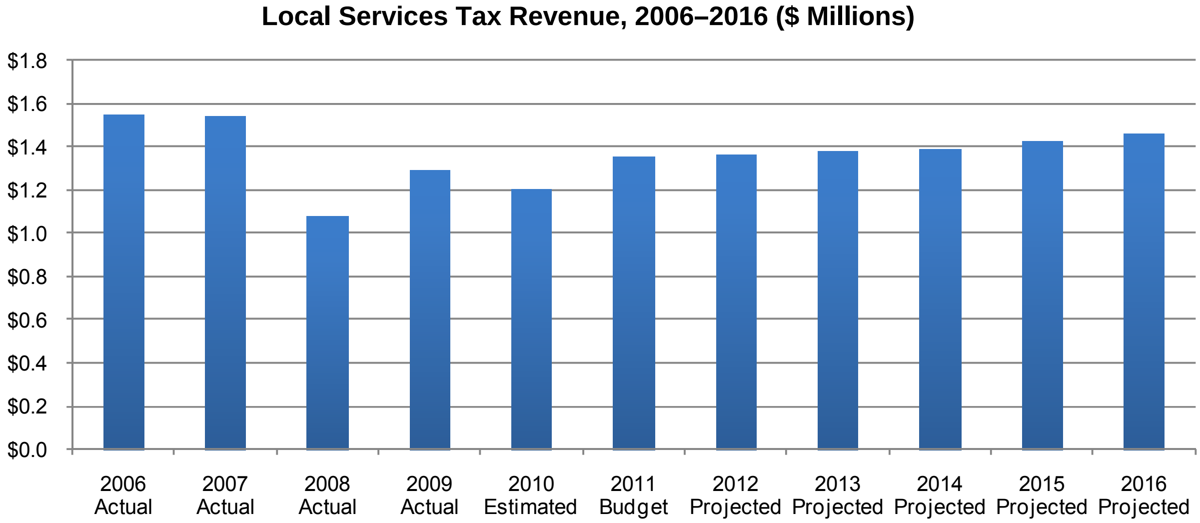
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Tax Revenue	2,473,708	2,614,273	2,474,708	2,740,146	2,305,822	2,350,000	2,373,500	2,397,235	2,421,207	2,476,895	2,533,864
Annual Growth	N/A	5.7%	-5.3%	10.7%	-15.9%	1.9%	1.0%	1.0%	1.0%	2.3%	2.3%
Tax Rate	**Services:** 3.5 mills **Retail:** 1.5 mills **Wholesale:** 1 mill										

Emergency Municipal Services/Local Services Tax

Levied at a rate of $52 annually, the Local Services Tax (LST) is a per capita annual tax levied on all individuals who are employed within the City limits, regardless of where they reside. The Local Services Tax replaced the Emergency Municipal Services Tax (EMST) in 2008. The EMST replaced the $10 per capita occupational privilege tax (OPT) in 2005.

The tax is intended to provide resources for police, fire or emergency services, road construction or maintenance, or the reduction of real estate taxes. Individuals whose earned income and net profits are less than $12,000 per year as well as active duty military, reserve military and war veterans are exempt from the tax. Employers withhold the tax in installments based on the number of pay periods. The City is currently at the maximum rate allowed by Commonwealth law.

As part of the shift from EMST to LST, Act 7 of 2007 changed the method for withholding and remitting the tax. Effective in 2008, if the tax exceeds $10, it is withheld in installments based on the number of pay periods. As a result, seasonal employees may not pay the entire tax. Because of the changes in withholding, employers also began making quarterly payments to the City in 2008 based on the amount withheld in the previous quarter. The net impact for most Pennsylvania local governments was to reduce 2008 collections by 25 percent, based on receiving payments for only three quarters. Revenues then rebounded in 2009 once a full four quarters of revenue was remitted that year. York's experience matches this pattern with a 30.2 percent drop in 2008 and a 20.0 percent increase in 2009. The City's FY2011 budget projects 12.4 percent growth in LST revenue over 2010 levels. This Plan projects modest growth of 1.0 percent annually in 2012, 2013 and 2014 and 2.3 percent in 2015 and 2016.



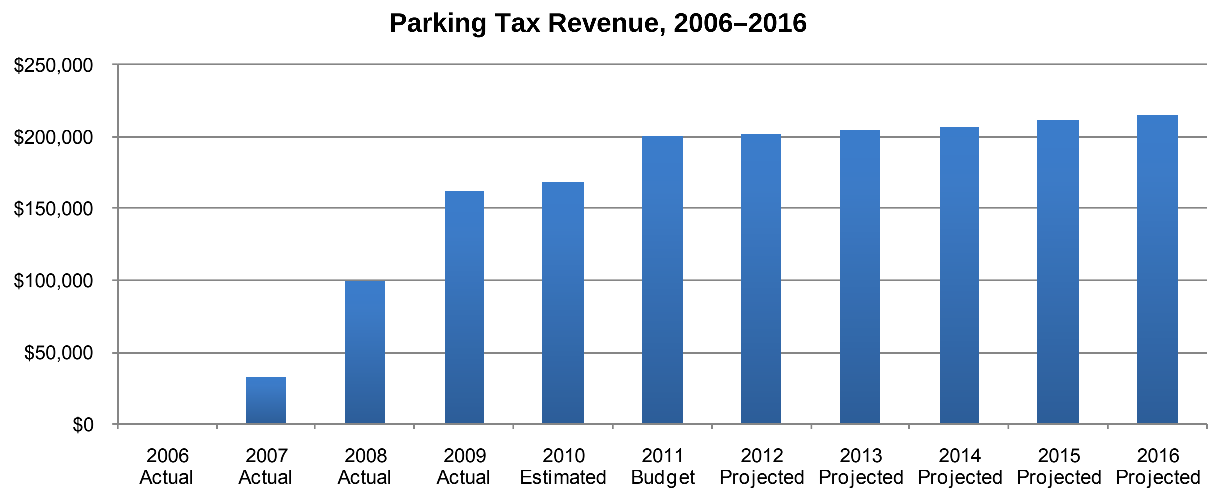
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
EMS/LST Revenue	1,547,833	1,544,072	1,077,398	1,292,697	1,200,902	1,350,000	1,363,500	1,377,135	1,390,906	1,422,897	1,455,624
Annual Growth	N/A	-0.2%	-30.2%	20.0%	-7.1%	12.4%	1.0%	1.0%	1.0%	2.3%	2.3%
Annual Tax	$52	$52	$52	$52	$52	$52	$52	$52	$52	$52	$52

Parking Tax

Based on a recommendation in the 2006 Early Intervention Plan, the City enacted a parking tax in June 2006 on all parking transactions in the City. The tax was gradually increased in two percent increments to its current rate of 10 percent. Amongst the large Pennsylvania cities with a parking tax, York currently has the lowest parking tax rate.

City	Parking Tax
Pittsburgh	37.5%
Philadelphia	20%
Erie	15%
Harrisburg	15%
York	**10%**

As with the mercantile and business privilege, parking tax revenue is partly based on the health of the City's retail and service economy. This Plan uses the same projection pattern for these three sources of revenue - modest growth of 1.0 percent annually in 2012, 2013 and 2014 and 2.3 percent in 2015 and 2016.

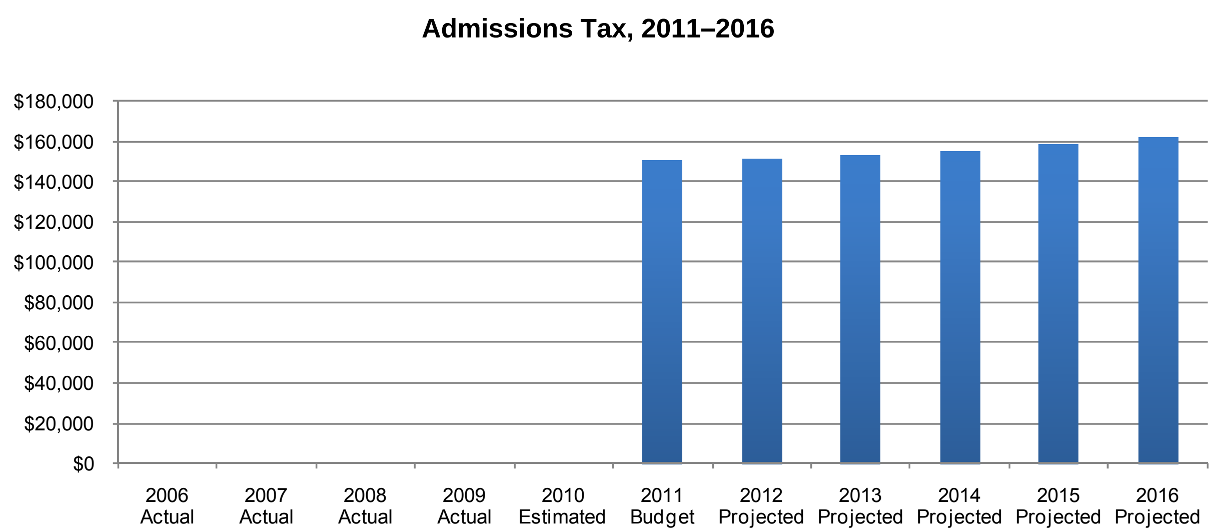


	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Parking Tax Revenue	-	33,233	98,848	161,863	168,863	200,000	202,000	204,020	206,060	210,800	215,648
Annual Growth	N/A	N/A	197.4%	63.7%	4.3%	18.4%	1.0%	1.0%	1.0%	2.3%	2.3%
Tax Rate		4%	6%	8%	10%	10%	10%	10%	10%	10%	10%
Rate Growth (%)	N/A	N/A	50.0%	33.3%	25.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Admissions Tax

The City's admissions tax is levied on the admission price paid by patrons of arts, sports, culture and other events. City ordinances authorize collection of a five percent admissions tax, and the City began collecting the tax in 2011.

As the cultural hub of York County, York hosts several arts and entertainment options including the Strand Capitol Performing Arts Center, Dream Wrights Youth and Family Theatre and York Revolution baseball at Sovereign Bank Stadium. Going forward, revenue growth will be tied to attendance and ticket prices at taxable athletic, entertainment and cultural events at these and other venues. This Plan projects modest growth of 1.0 percent annually in 2012, 2013 and 2014 and 2.3 percent in 2015 and 2016.



	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Tax Revenue	150,000	151,500	153,015	154,545	158,100	161,736
Annual Growth	N/A	1.0%	1.0%	1.0%	2.3%	2.3%
Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Summary: Tax revenue performance

Looking at tax revenues on a whole, the City collected $17.62 million in its General Fund from the aforementioned taxes in 2010, which was $2.5 million (or 16.6 percent) more than it collected in 2006. Tax revenues grew at more than twice the rate of inflation as measured by the Consumer Price Index during this time (8.2). On average, tax revenue grew by 4.0 percent per year from 2006 through 2010.

General Fund Tax Revenue, 2006–2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	% Change 2006-2010
Real Estate Tax	9,640,054	10,151,845	11,100,061	11,872,525	11,845,665	22.9%
Earned Income Tax	1,455,110	1,665,677	1,754,821	1,993,339	2,097,836	44.2%
EMST/LST	1,547,833	1,544,072	1,077,398	1,292,697	1,200,902	-22.4%
Mercantile/Business Privilege Taxes	2,473,708	2,614,273	2,474,708	2,740,146	2,305,822	-6.8%
Admissions Tax	0	0	0	0	0	N/A
Parking Tax	0	33,233	98,848	161,863	168,863	N/A
Tax Revenue Subtotal	**15,116,705**	**16,009,099**	**16,505,836**	**18,060,570**	**17,619,087**	**16.6%**

However, a large portion of this growth was attributable to real estate tax increases. The General Fund real estate tax rate increased by 26.4 percent from 2006 to 2010 and tax revenue rose by $2.2 million (or 22.9 percent). Implementing a new parking tax, which did not exist in 2006, also helped performance during this period. EIT revenue increased by $643,000 (or 44.2 percent), but the City needed that money to offset the decline in EMST/LST, mercantile and business privilege tax revenues.

As noted above, the baseline revenue projections through 2016 assume no future tax rate increases. Given the lack of predictable growth in the City's tax base, the City's tax revenues are projected to grow more moderately in the absence of future tax increases. Meanwhile, the Federal Reserve Bank of Philadelphia projects that Consumer Price Index will grow by 2.4 percent per year over the long term, which would equate to a 12.6 percent total increase through 2016.[107] The City's General Fund expenses are projected to grow by 27.3 percent from 2011 through 2016. Therefore, holding the City's tax rates constant, tax revenue is not expected to keep pace with expenditure growth during this period.

Projected General Fund Tax Revenue, 2011–2016

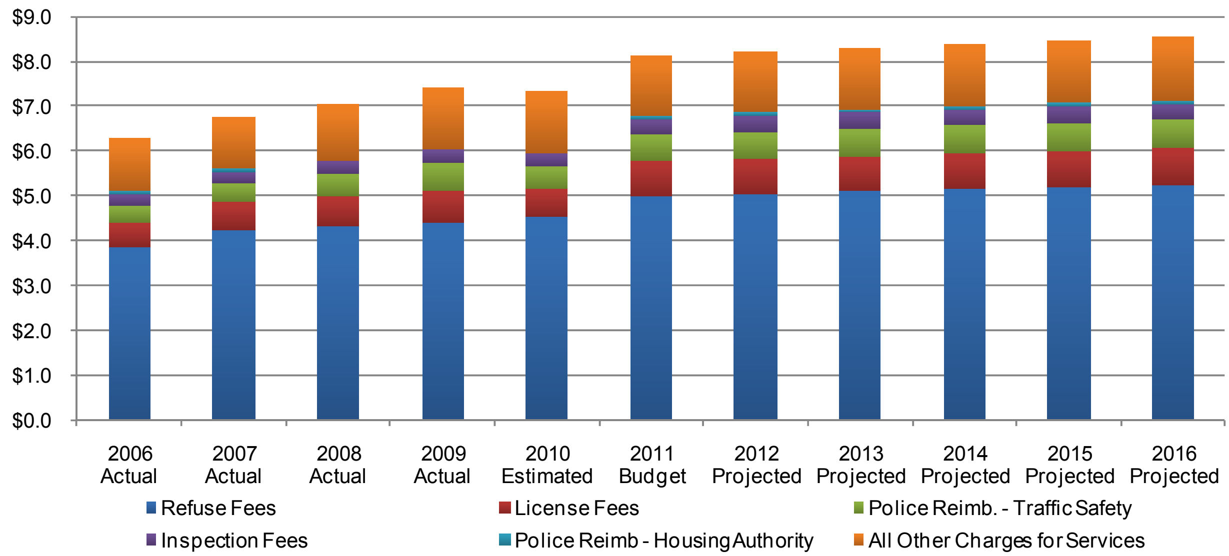
	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change 2011-2016
Real Estate Tax	13,907,571	14,030,244	14,030,244	14,687,388	14,687,388	14,687,388	5.6%
Earned Income Tax	2,200,000	2,222,000	2,244,220	2,266,662	2,318,795	2,372,128	7.8%
Emerg. Mun. Services/Local Services Tax	1,350,000	1,363,500	1,377,135	1,390,906	1,422,897	1,455,624	7.8%
Mercantile/Business Privilege Taxes	2,350,000	2,373,500	2,397,235	2,421,207	2,476,895	2,533,864	7.8%
Admissions Tax	150,000	151,500	153,015	154,545	158,100	161,736	7.8%
Parking Tax	200,000	202,000	204,020	206,060	210,800	215,648	7.8%
Tax Revenue Subtotal	**20,157,571**	**20,342,744**	**20,405,869**	**21,126,769**	**21,274,875**	**21,426,387**	**6.3%**

[107] Federal Reserve Bank of Philadelphia. "Second Quarter 2011 Survey of Professional Forecasters." May 13, 2011

Charges for Services

The City's second largest revenue source and largest non-tax revenue is charges for service – a variety of fees, reimbursements and similar revenue directly tied to a particular service. The largest component of this category is refuse (trash collection) fees, which accounted for $4.52 million or 62.7 percent of the total in 2010. These fees cover the cost of residential solid waste, recycling and large item collection.[108] Since 2006, the City has examined and increased its fees to meet rising costs. Charges for services have been an increased area of focus for municipal governments nationwide. Forty (40) percent of city finance officers recently reported increasing their level of fees and charges and 23 percent reported increasing the number of fees.[109] Revenue from charges for services is projected to grow at one percent throughout the projection period.

Charges for Services, 2006–2016 ($ Millions)



	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Refuse Fees	3,860,154	4,253,312	4,331,497	4,390,782	4,515,057	5,000,000	5,050,000	5,100,500	5,151,505	5,203,020	5,255,050
License Fees	549,011	606,488	645,567	737,352	645,868	770,000	777,700	785,477	793,332	801,265	809,278
Police Reimb. - Traffic Safety	383,986	429,440	508,731	628,383	510,597	600,000	606,000	612,060	618,181	624,362	630,606
Inspection Fees	241,050	238,134	285,270	279,770	284,535	348,000	351,480	354,995	358,545	362,130	365,751
Police Reimb - Housing Authority	80,122	73,112	28,158	-	-	75,000	75,750	76,508	77,273	78,045	78,826
All Other Charges for Services	1,162,420	1,166,855	1,254,025	1,360,471	1,363,203	1,342,385	1,355,952	1,369,657	1,383,504	1,397,492	1,411,623
Total Charges for Services	**6,276,742**	**6,767,341**	**7,053,247**	**7,396,758**	**7,319,259**	**8,135,385**	**8,216,882**	**8,299,197**	**8,382,338**	**8,466,315**	**8,551,135**
Annual Growth	N/A	7.8%	4.2%	4.9%	-1.0%	11.2%	1.0%	1.0%	1.0%	1.0%	1.0%

Interfund Transfers

The General Fund receives revenue each year from the City's other funds in the form of interfund transfers. Some transfers are reimbursements for expenses incurred by the General Fund on behalf of these funds. This happens when the General Fund pays for grant funded expenses and then is

[108] Please see the Department of Public Works chapter for more information.

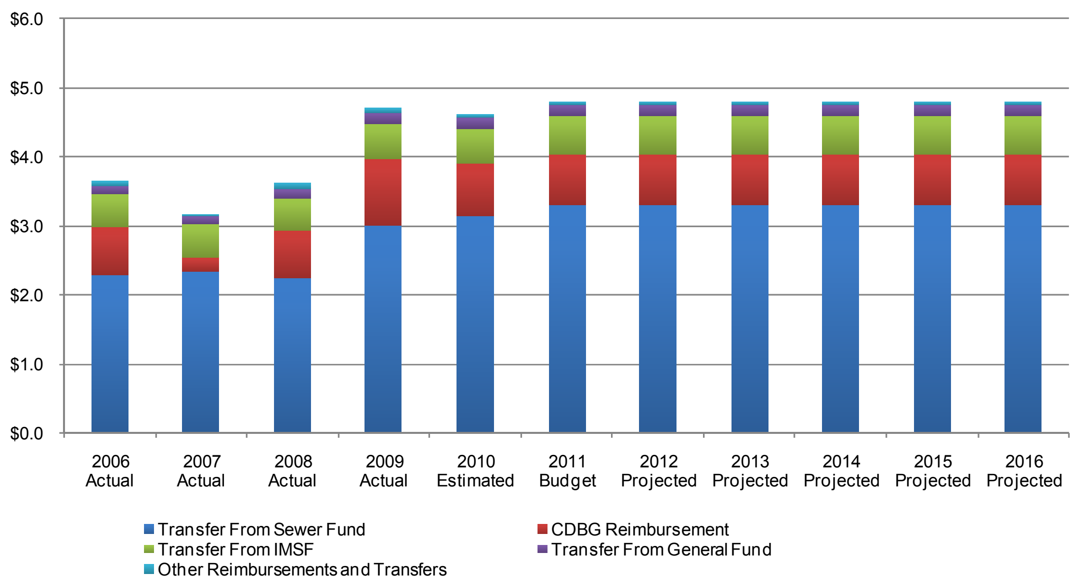
[109] Christopher W. Hoene and Michael A. Pagano. "City Fiscal Conditions in 2010." National League of Cities. October 2010.

reimbursed once the City receives the grant money. Reimbursements to the General Fund[110] also happen when the General Fund provides services to support utility activities that should be fully covered by user fees collected outside the General Fund. For example, the City's administrative units (finance, human resources, information technology) support the City's Wastewater Treatment Plant which in turn provides service to other municipalities outside the City. Therefore, the City's General Fund receives a payment from the Intermunicipal Sewer Fund to defray the cost of providing regional service.

In addition to these cost reimbursements, it is not uncommon for the General Fund to receive an additional annual payment from City owned utilities as a return on investment (ROI), similar to the dividend paid to shareholders by privately owned utilities. This is the case for York, where the City transferred $2.99 million from the Sewer Fund to the General Fund. The City's FY2009 financial statements note that York uses interfund transfers to pay for expenses that may have exceeded budgeted amounts. The City transferred money from its Sewer Fund to its General Fund to help close a projected deficit in 2009.

Typically, transfers from the Sewer Fund have been the largest component of these interfund revenues, budgeted at $3.31 million in 2011, followed by Community Development Block Grant (CDBG) transfers at $717,000. This Plan projects interfund transfers to remain at that level through 2016.

Interfund Transfers, 2006–2016 ($ Millions)



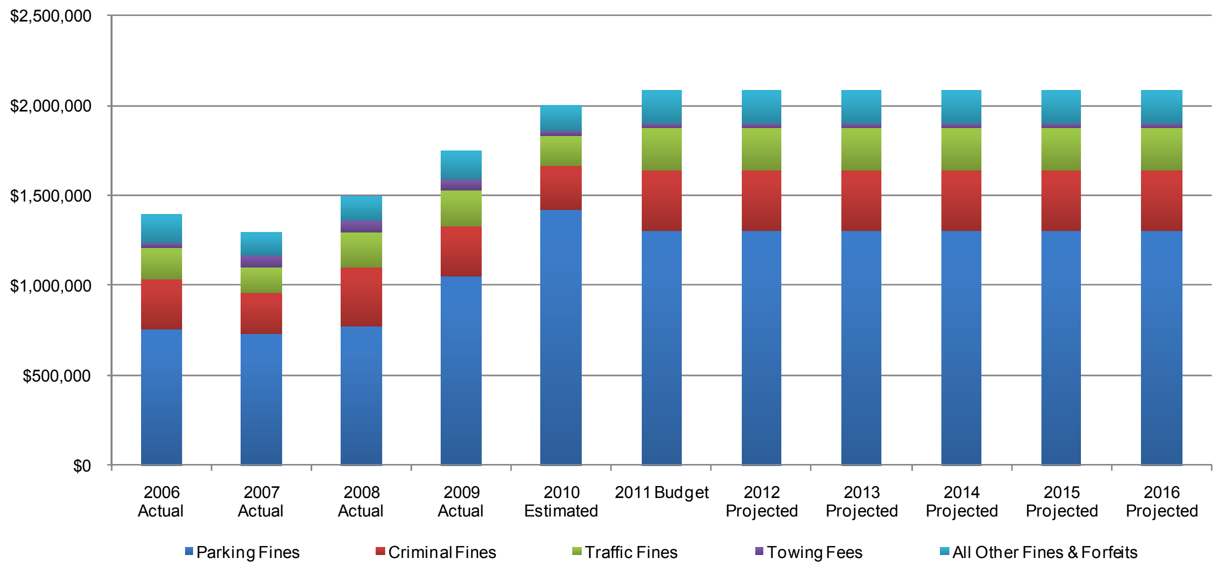
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Transfer From General Fund	116,284	121,095	125,372	158,557	166,523	170,967	170,967	170,967	170,967	170,967	170,967
Transfer From Recreation Fund	6,783	7,007	7,469	7,666	8,562	9,124	9,124	9,124	9,124	9,124	9,124
Transfer From State Health	10,906	7,587	7,332	8,042	9,732	9,453	9,453	9,453	9,453	9,453	9,453
Transfer From Sewer Fund	2,283,894	2,344,070	2,248,643	2,996,591	3,144,952	3,312,695	3,312,695	3,312,695	3,312,695	3,312,695	3,312,695
Transfer From IMSF	477,594	478,385	473,759	500,293	518,337	560,563	560,563	560,563	560,563	560,563	560,563
Transfer From Weyer Trust Fund	956	905	850	995	999	598	598	598	598	598	598
Transfer From White Rose Com TV	0	0	919	1,076	1,142	1,197	1,197	1,197	1,197	1,197	1,197
CDBG Reimbursement	701,449	196,195	679,017	978,402	745,478	717,117	717,117	717,117	717,117	717,117	717,117
Transfer From Conduit Fund	0	0	10,789	50,173	26,728	22,743	22,743	22,743	22,743	22,743	22,743
Other Reimbursements and Transfers	38,371	8,186	66,218	8500	0	0	0	0	0	0	0
Total Transfers	**3,636,237**	**3,163,431**	**3,620,368**	**4,710,294**	**4,622,451**	**4,804,456**	**4,804,456**	**4,804,456**	**4,804,456**	**4,804,456**	**4,804,456**
Annual Growth	N/A	-13.0%	14.4%	30.1%	-1.9%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%

110 In some cases the reimbursement flows to the Internal Service Fund through which the City pays for employee health insurance and other fringe benefit costs.

Fines and Forfeits

Fine and forfeit revenue is the City's share of all fines levied in York. The majority of these revenues are parking fines, but the category also includes criminal, traffic, code, health, state police, ticket notice and towing fines. As for most local governments, York's fine and forfeit revenues are partly driven by the level of enforcement. Increased enforcement efforts in 2009 and 2010 resulted in 17.0 and 14.6 percent increases in these years. The City's FY2011 budget anticipates a 4.2 percent increase in 2011. Fines and forfeits revenue are projected to remain flat for years 2012 through 2016.

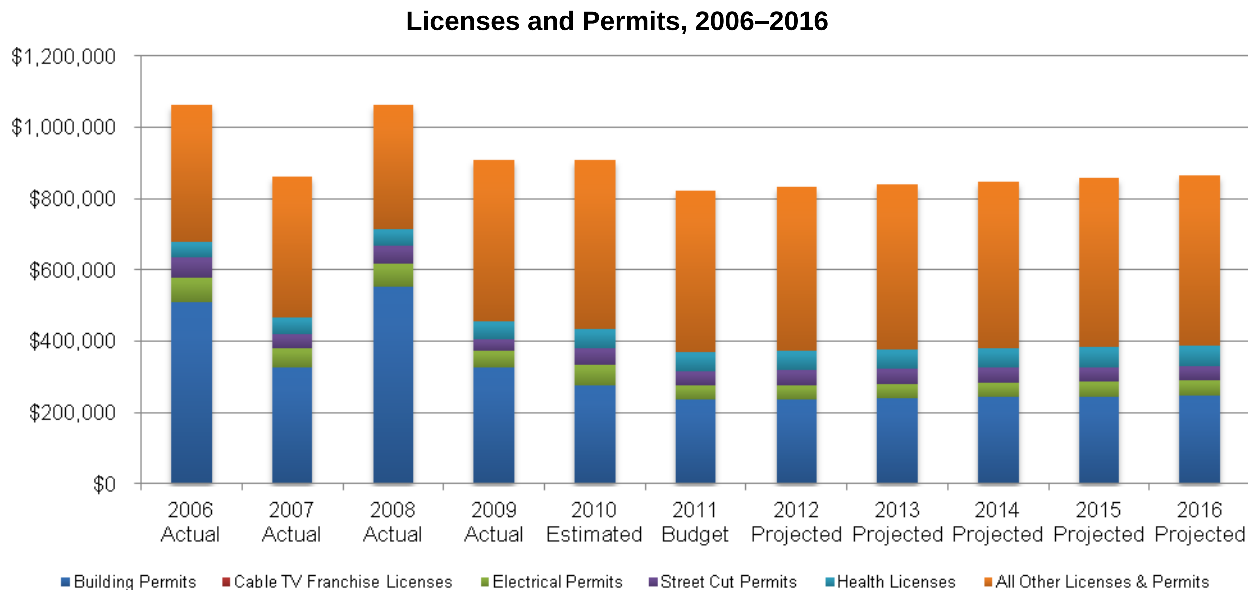
Fines and Forfeits, 2006–2016



	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Parking Fines	751,423	729,730	772,817	1,050,323	1,418,648	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Criminal Fines	278,973	226,607	328,507	280,126	242,026	340,000	340,000	340,000	340,000	340,000	340,000
Traffic Fines	179,606	140,289	190,434	201,777	174,845	235,000	235,000	235,000	235,000	235,000	235,000
Towing Fees	23,075	71,480	65,590	60,095	25,725	25,000	25,000	25,000	25,000	25,000	25,000
All Other Fines & Forfeits	160,204	127,087	135,779	155,231	141,962	188,000	188,000	188,000	188,000	188,000	188,000
Fines and Forfeits Revenue	**1,393,280**	**1,295,193**	**1,493,127**	**1,747,551**	**2,003,206**	**2,088,000**	**2,088,000**	**2,088,000**	**2,088,000**	**2,088,000**	**2,088,000**
Annual Growth	N/A	-7.0%	15.3%	17.0%	14.6%	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%

Licenses and Permits

Revenues generated from licenses and permits typically fluctuate based on the economy, especially as demand for construction and building permits changes. Changes in development activity – particularly the presence or absence of a small number of large projects – lead to irregular receipts from year to year. Licenses and permits are projected to grow at one percent per year through the projection period.



	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Building Permits	509,057	325,888	553,841	325,541	276,380	235,000	237,350	239,724	242,121	244,542	246,987
Cable TV Franchise Licenses	0	0	0	0	0	0	0	0	0	0	0
Electrical Permits	69,101	53,611	64,917	48,706	55,914	40,000	40,400	40,804	41,212	41,624	42,040
Street Cut Permits	58,800	38,500	50,100	31,460	47,850	40,000	40,400	40,804	41,212	41,624	42,040
Health Licenses	40,455	50,027	44,720	49,215	54,020	55,000	55,550	56,106	56,667	57,233	57,806
All Other Licenses & Permits	385,046	393,784	347,757	453,906	475,335	452,700	457,305	461,958	466,659	471,409	476,209
License & Permit Revenues	**1,062,458**	**861,810**	**1,061,335**	**908,828**	**909,499**	**822,700**	**831,005**	**839,395**	**847,870**	**856,433**	**865,082**
Annual Growth	N/A	-18.9%	23.2%	-14.4%	0.1%	-9.5%	1.0%	1.0%	1.0%	1.0%	1.0%

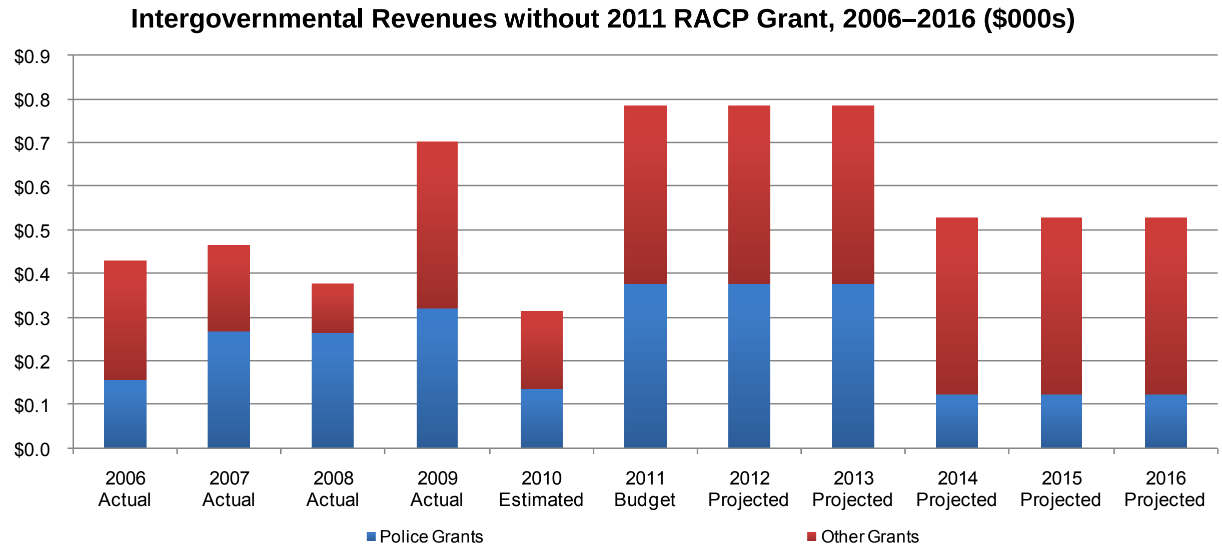
Intergovernmental Revenues

York's General Fund received $314,000 in intergovernmental revenue in 2010. The City records intergovernmental revenue in other funds such as the Recreation, Liquid Fuels, State Health Grants, CDBG, HOME, Section 108 Rebuild York, Special Projects, Conduit, 1995 Bond Issue Sinking, Capital Projects and White Rose Community Television Funds. The City also receives a $1.78 million pension aid payment from the Commonwealth that the City applies to a dedicated fund for paying debt service on the 1995 pension bond issue.

The largest component of 2010 General Fund intergovernmental revenue was a Pennsylvania Commission on Crime and Delinquency police patrol grant, which accounted for $75,000. The remaining funding comes from other state and federal police grants; the City's distribution of the public utility realty and alcoholic beverage taxes; a Commonwealth Weed and Seed grant; Commonwealth recycling grants; and a federal Fair Housing Initiative Program grant. Historically, the revenue source has fluctuated based on the number and value of grants the City is able to secure from year to year. Intergovernmental revenues are projected to remain level from 2012 to 2016.

In 2011, the City will receive a one-time $5 million Redevelopment Assistance Capital Project grant from the Commonwealth to fund half the cost of capital projects including acquiring a new City Hall, converting the current city hall to a police station and rehabilitating multiple community centers and facilities.

This Plan's projections through 2016 account for the one-time nature of the $5 million RACP grant. They also account for the expiration of the federal Community Oriented Policing Services (COPS) grant in 2014, which will reduce revenues by approximately $255,000.



	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Estimated	2011 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Police Grants	157,302	268,461	264,980	321,662	135,920	377,229	377,229	377,229	122,479	122,479	122,479
FHAP- Human Relations	73,700	20,500	49,700	49,860	18,965	47,574	47,574	47,574	47,574	47,574	47,574
Miscellaneous Grants	72,307	11,109	20,000	60,100	27,760	80,000	80,000	80,000	80,000	80,000	80,000
Recycling Grant	36,642	37,206	0	24,480	43,610	40,000	40,000	40,000	40,000	40,000	40,000
Public Utility Realty Tax	22,803	23,929	22,308	24,248	26,111	24,000	24,000	24,000	24,000	24,000	24,000
Alcoholic Beverage Tax	17,225	17,875	18,425	30,600	11,566	14,000	14,000	14,000	14,000	14,000	14,000
All Other Grants	50,152	84,889	0	190,200	50,000	200,000	200,000	200,000	200,000	200,000	200,000
Other grants	272,829	195,508	110,433	379,488	178,011	405,574	405,574	405,574	405,574	405,574	405,574
Total Intergov. Revenue	**$430,131**	**$463,969**	**$375,414**	**$701,149**	**$313,932**	**$782,803**	**$782,803**	**$782,803**	**$528,053**	**$528,053**	**$528,053**
Annual Growth	N/A	7.9%	-19.1%	86.8%	-55.2%	149.4%	0.0%	0.0%	-32.5%	0.0%	0.0%

Recommendations

The City of York faces a challenge similar to that of other small cities across the Commonwealth. Assessed value, which is the base for the City's largest revenue source is growing very slowly or not at all. The City already has a high real estate tax rate compared to the surrounding municipalities. The City cannot increase the rate for other taxes, like the local services tax, without changes in Commonwealth legislation. Despite these challenges, the City needs a reliable, sustainable revenue structure capable of funding required services. The City will need additional revenue – either from existing sources, new sources or both – to sustain City government at a level where revenue and expenditure growth are equal over the long term.

The ideal source for this additional sustainable revenue is economic growth absent new or increased taxes. Rising property values, higher resident wages and more business activity would benefit the residents and businesses that make up the City and give City government more resources to respond to the needs of those residents and businesses. Given the uncertain outlook for the regional economy and the City’s slow pace of economic growth, the City cannot wait for and rely on natural growth to bring itself into balance. In the meantime, the City’s default position – and the projected one absent corrective action – is to operate at a deficit, which is also not sustainable.

To bring the City into balance, City leaders will have to reduce spending or, at a minimum, mitigate future growth in spending. Because City leaders often cannot reduce spending unilaterally or suddenly, they will also need to take action to increase revenues, particularly in the short term. This Early

Intervention Plan explains several options for doing so with the understanding that any tax increases could have a counterproductive impact on the economy that the City needs to grow to achieve sustainable balance. For that reason, the first options described are those that do not increase existing or implement new taxes.

This report does not recommend an increase in the City's property tax revenue. For comparative purposes, a 1.0 mill tax increase is worth approximately $890,000 in General Fund revenue, not including any lost revenue from increased delinquencies.

RV01.	**Establish policies governing transfers for cost reimbursements**	
	Target outcome:	Maintain cost recovery
	Five Year Financial Impact:	$2.4 million
	Responsible party:	Finance Bureau

As described above, the City transfers money to its General Fund and Internal Services Fund to reimburse those funds for costs incurred on behalf of other operations, like the Sewer Fund. For example, the City's FY2011 budget transfers $880,000 from the Intermunicipal Sewer Fund to the Internal Services Fund for risk management (i.e. health and other kinds of insurance expenses). The Finance Department should develop a clear policy that governs how these reimbursement amounts will be calculated. Possible elements of that policy include:

- A cost allocation method that allocates administrative and overhead costs to other funds and programs receiving administrative service from the City. This method would be applied consistently across all funds in a given year, subject to any external limitations on how costs may be allocated.[111] The Bureau of Finance would maintain a written explanation of how the allocation is calculated.

- A schedule of when transfers are made. When possible, transfers should be made at predictable intervals (i.e. quarterly, monthly).

- An escalator clause that adjusts the reimbursement amounts annually so the General Fund and Internal Service Fund are made whole on an ongoing basis.

The basic premise is that these external funds should fully reimburse the City each year. If the City does not adjust the transfer amount annually, the General Fund or Internal Service Fund will begin subsidizing these other activities. The cost reimbursement policy will also provide transparency and predictability to other entities, like the Sewer Authority or municipalities contributing to the Sewer Authority, so they understand how the transfer amount was calculated and why it changes annually.

Assuming the City increased its transfers each year by 11.0 percent for health insurance and a generic 2.3 percent inflationary for all other expenses, the General and Internal Service Funds would receive the additional revenue shown below. The 11.0 percent annual increase for health insurance is based on the assumption that the City's insurance expenses will rise by that amount each year. In years where the City's health insurance costs increase by less than 11.0 percent, the City would reduce the interfund transfer amount accordingly. Please also note that these calculations are based on the assumption that the amount budgeted by the City in 2011 is equal to its costs this year.

[111] For example, one grant may allow the City to charge a portion of General Fund employees' fringe benefits to the grant while another prohibits the inclusion of fringe benefits.

Increased Transfers to General Fund

Money transferred from…	2011	2012	2013	2014	2015	2016
Sewer Fund (for Solicitor)	5,445	5,445	5,445	5,445	5,445	5,445
Intermunicipal Sewer Fund (for Solicitor)	22,975	22,975	22,975	22,975	22,975	22,975
General Fund subtotal	**28,420**	**28,420**	**28,420**	**28,420**	**28,420**	**28,420**
Additional transfer for inflation	**N/A**	**654**	**1,322**	**2,006**	**2,706**	**3,422**

Increased Transfers to Internal Services Fund

Money transferred from…	2011	2012	2013	2014	2015	2016
Intermunicipal Sewer Fund (for Business Admin.)	138,868	138,868	138,868	138,868	138,868	138,868
Intermunicipal Sewer Fund (for Central Services)	56,878	56,878	56,878	56,878	56,878	56,878
Intermunicipal Sewer Fund (for Human Resources)	41,020	41,020	41,020	41,020	41,020	41,020
Intermunicipal Sewer Fund (for Information Services)	44,553	44,553	44,553	44,553	44,553	44,553
Intermunicipal Sewer Fund (for Risk Management)	880,382	880,382	880,382	880,382	880,382	880,382
Sewer Fund (for Business Admin.)	32,909	32,909	32,909	32,909	32,909	32,909
Sewer Fund (for Central Services)	19,380	19,380	19,380	19,380	19,380	19,380
Sewer Fund (for Human Resources)	9,721	9,721	9,721	9,721	9,721	9,721
Sewer Fund (for Information Services)	8,911	8,911	8,911	8,911	8,911	8,911
Sewer Fund (for Risk Management)	178,508	178,508	178,508	178,508	178,508	178,508
Internal Services Fund subtotal	**1,411,131**	**1,411,131**	**1,411,131**	**1,411,131**	**1,411,131**	**1,411,131**
Additional transfer for inflation	**N/A**	**135,000**	**286,000**	**454,000**	**641,000**	**850,000**

The City transfers federal and state grant proceeds to its Internal Services Fund to support the City's Bureau of Health. The FY2011 budget transfers $401,000 to the Internal Services Fund with more than half of that used for employee health insurance and related coverage. Similarly the City transfers CDBG money to the General Fund to support the Bureaus of Housing and Permits, Planning and Zoning. The FY2011 budget moves $545,000 to Housing and $150,000 to Permits, Planning and Zoning.

It is likely that the City's cost to provide this service rises each year as employees get annual wage increases, their health insurance becomes more expensive and the cost of materials and supplies rise. If the level of grant funding remains the same or drops, the City has two options. It could reduce the level of activity in these areas so that the rising expenses stay in line with flat revenue. Alternatively, the City could find other options to increase program revenue through service charges, external private funding, etc. If the City does neither, these programs will draw more money from the General Fund and leave less to support other activities, like public safety or public works.

RV02.	Establish policies governing return on investment from Sewer Fund	
	Target outcome:	Greater stability for General Fund revenues
	Five Year Financial Impact:	Not applicable
	Responsible party:	Finance Department, Sewer Authority

In addition to the cost reimbursement described above, the City makes another annual transfer from the Sewer Fund to the General Fund. This transfer is similar to the "return on investment" that a private company draws from running a utility. The annual amount of this transfer varied between $2.3 million and $3.0 million from 2006 to 2009.

There is no clear standard or benchmark as to the appropriate level of transfers from a sewer utility, although parallels are often drawn to privately-operated water and wastewater utilities, where investors expect a return on investment of at least 10-12 percent. As an example of comparable public sector entities, the City of Portsmouth, Virginia[112] has historically transferred over $9.0 million annually from its water/wastewater utility to its General Fund. In its 2009 Public Power Peer Study, Fitch Ratings compiled financial ratios for retail public power systems in the United States. For systems with senior debt rated A or A-, the percentage of General Fund revenue comprised by utility transfers ranged from zero to 8.8 percent. Of the 16 utilities with a transfer greater than zero, the average was 4.3 percent.[113] Between 2006 and 2010, York's transfers were an average of 8.0 percent of total General Fund revenues.

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual
Transfer From Sewer Fund	2,283,894	2,344,070	2,248,643	2,996,591	3,144,952
Total General Fund Revenue	29,998,113	30,388,434	31,884,634	35,323,144	34,467,785
Percent of GF Revenue	7.6%	7.7%	7.1%	8.5%	9.1%

The City budgeted $3.31 million (or 8.5 percent of General Fund revenue) for this transfer in 2011 (excluding the $5.1 million one-time RACP state grant). This update projects that transfer amount will remain flat through 2016.

Because the City is already close to the high point of the zero to 8.8 percent range cited above, no specific increase in the transfer amount is recommended here. However, similar to the cost reimbursement policy, the City and Sewer Authority should discuss establishing a policy that governs this transfer amount on an annual basis. The transfer amount could be based on a percentage of General Fund revenues, an expected return on investment or another factor. Establishing a written policy would also mitigate the risk that the City will rely on the Sewer Fund transfer to support a disproportionate amount of the services that should be supported by the City's tax base.

RV03.	Review real estate taxable assessments for possible appeals	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	Not applicable

[112] Portsmouth is a mature urban city of approximately 100,000 people in the Norfolk/Tidewater region of Virginia.
[113] U.S. Public Power Peer Study, June 2009, Fitch Ratings, page 27-28.

	Responsible party:	City Treasurer, York City School District

The last county-wide reassessment was conducted in 2004 and took effect in 2006. There is no Pennsylvania statutory mandate for conducting periodic reassessments, although York County requires them when there is evidence assessed values have dropped below 85 percent of market value. As noted earlier in this chapter, assessed values are expected to remain above this level for some time. In the meantime, the City and the School District both have the authority to challenge assessments of individual properties, with an annual deadline to file an appeal of existing assessments beginning August 1, with the effect of any change made the following January 1.

The City Treasurer should begin a joint initiative with the School District to identify under-assessed properties and engage a qualified appraiser to make preliminary reviews and identify strong candidates for successful appeals. If it is determined that an existing assessment is not equitable for a property, the City should appeal (either alone or jointly with the school district) the assessed valuation to the York County Board of Assessment Appeals. The City of Pittsburgh works with its School District to file such appeals and successfully challenged 24 percent in 2009.[114]

In the current environment, the City may also face revenue reductions from taxpayers who appeal existing assessments. The City and School District should also collaborate to assess the legitimacy of such appeals and work together to oppose those they conclude are unwarranted.

RV04.	**Conduct tax exempt property audit and expand PILOT payments**	
	Target outcome:	Ensure compliance; increased revenue
	Five Year Financial Impact:	$574,000
	Responsible party:	Mayor, Finance Bureau, City Solicitor

As the seat of County government and the host for many arts, non-profit, government, medical, cultural, educational and religious institutions, the City has a concentration of tax exempt institutions within its borders. These organizations accounted for 37 percent of the City's total assessed value in 2009, a relatively high percentage when compared to nearby third class cities and second only to the state capital.

	Tax Exempt Property Value as % of Total (2009)
Harrisburg*	49.0%
York	**37.0%**
Reading	30.8%
Lancaster**	27.6%
Allentown	21.4%

*As of 2008
**As of 2010
Sources: City Adopted Budgets, Financial Statements, Auditor's Reports and CAFRs.

[114] Allegheny County has frozen property assessments at 2002 levels, so Pittsburgh has more opportunity to challenge appeals. Given York County's more recent reassessment, the City of York could experience a lower rate of success in challenging appeals.

Other cities with a large, non-profit, governmental, health care or educational institution presence have been able to leverage a substantial level of financial support for tax-exempt entities in support of their general fund. The table below shows examples of the PILOT contributions received by these cities.

Payment-in-Lieu-of-Taxes Revenues, Other Cities

	2010 PILOT Revenues	% of General Fund Revenue	% of Property Value Exempt
New Brunswick, NJ	$13,283,399	17.2%	54.4%
Albany, NY (2009)	$25,614,049	16.5%	60.0%
New Haven, CT	$47,392,139	10.3%	47.0%
Providence, RI	$9,107,865	2.1%	24.3%
Pittsburgh, PA (2009)	$9,111,243	2.1%	37.6%
Boston, MA	$34,942,382	1.5%	12.3%*
Baltimore, MD (2009)	$5,681,366	0.4%	29.5%
Average	**$20,733,206**	**7.2%**	**37.9%**
Median	**$13,283,399**	**2.1%**	**37.6%**

*Value from educational and medical institutions only. Other exempt property data not available.
Source: City Budgets, CAFRs, State Assessment Reports and Special City Reports

While the City of Baltimore appears near the bottom of this chart, the City reached an agreement in June 2010 with the Maryland Hospital Association and the Maryland Independent College and University Association to secure PILOT payments from City colleges and hospitals in exchange for dropping a proposal for a new $350 bed tax on colleges and hospitals.[115]

In York, some tax exempt organizations, such as the YMCA and York Housing Authority, have made PILOT contributions to the City. Since 2004 the total contribution to the General Fund has varied between $384,000 and $595,000 per year with an average amount of $479,000. The table below shows the General Fund contribution amount since 2001.

Payments In Lieu of Taxes (General Fund), 2001–2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund PILOTs	103,019	448,758	721,444	580,781	489,146	594,917	384,018	461,907	441,841	401,501
Total GF Revenue	22,737,063	24,311,180	27,199,728	26,816,643	27,206,111	29,998,113	30,388,434	31,884,634	35,323,144	34,467,785
% of General Fund Revenue	0.45%	1.85%	2.65%	2.17%	1.80%	1.98%	1.26%	1.45%	1.25%	1.16%

Since 2007, the City has also received PILOT contributions in funds other than the General Fund. These contributions help to subsidize operations in these funds but do not cover the cost of core services provided in the property-tax supported General Fund. Total PILOT contributions across all funds are shown in the table below.

Payments In Lieu of Taxes (All Funds), 2001–2010

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
PILOTs	103,019	448,758	721,444	580,781	489,146	594,917	489,773	570,966	561,892	533,071
All Funds Revenue	50,912,757	62,653,778	57,190,507	59,671,502	61,840,183	70,583,092	73,254,299	71,203,504	83,128,194	77,648,162
% of All Funds Revenue	***0.20%***	***0.72%***	***1.26%***	***0.97%***	***0.79%***	***0.84%***	***0.67%***	***0.80%***	***0.68%***	***0.69%***

[115] Peter Sicher. "Hopkins and other institutions pay Baltimore $20.4 million to avoid tax increases." Johns Hopkins News-Letter. July 15, 2010.

York's non-profit entities also contribute to the City's viability through fulfilling their core mission. They provide employment to City residents that, in turn, generates revenues for employment related taxes. As noted in the Introduction, the three largest employers in York County are tax exempt organizations (York Hospital, the US government and County government); the City and the School District are also significant employers exempt from property tax. Like other organizations in the City, most tax exempt organizations also pay City fees and charges for service related to permitting, zoning, etc.

Tax exempt organizations also have a shared interest in sustaining City service. A college, medical center or church will struggle to succeed if the host community cannot provide basic services like police patrol and fire suppression. Resident and for-profit land owners in the City have seen the City's millage increase by 44.2 percent since 2006, while the PILOT payments have generally declined over that time. If the City government is going to seek a larger contribution from its residents and for-profit community through further tax increases, then it is appropriate to ask tax exempt organizations to make a similar contribution to the shared objective of sustaining City services.

To that end, the City should do the following:

- Seek increased levels of financial support from tax exempt entities. PILOT payments have historically accounted for less than one percent of total revenues and less than three percent of General Fund revenue and have dropped by 10.4 percent since 2006. Led by the Mayor and the Council President, the City should solicit support from all non-profit organizations. Not all tax exempt organizations should contribute the same amount, but broad participation will signal a shared commitment to the City's vitality.

  One alternative for facilitating these contributions is to establish a public service foundation through which tax exempt organizations work together and negotiate an umbrella agreement between themselves and the City. That provides a common point of contact for the City and, if the agreement covers multiple years, predictability for the non-profit organizations in the contribution amount that the City seeks. Such a foundation is provided for in Act 55 of 1997 (Institutions of Purely Public Charity Act), the Commonwealth's law regarding purely charitable institutions.

- Working through the City Solicitor, the City should conduct an audit of the City's tax exempt properties to review their tax exempt status. The City may find that some properties that were once tax exempt should not be any more if the owner's tax status has changed or if the property changed owners. Similarly, not all activities of charitable institutions are tax-exempt.

The City's eventual goal should be a PILOT program that generates a total General Fund contribution of 1.5 percent of budgeted General Fund revenues or a transfer of an equivalent amount of currently tax-exempt property back to the tax rolls. The impact of the initiative is discounted by the projected PILOT revenues from the City's current program and the expectation that some institutions will continue to provide and even expand existing non-revenue services in lieu of taxes instead.

Financial Impact

	2011	2012	2013	2014	2015	2016	Total
Discount %	100%	75%	50%	25%	0%	0%	
Fiscal Impact	0	38,000	77,000	122,000	167,000	170,000	574,000

RV05.	Levy distressed pension earned income tax	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$5.8 million
	Responsible party:	Finance Bureau

The Municipal Pension Plan Funding Standard and Recovery Act (Act 205) of 1984 establishes Commonwealth law governing distressed municipal pension systems. Act 205 lays out the conditions for a municipality with a distressed pension fund to levy an earned income or real estate tax beyond the maximum level otherwise allowed by Commonwealth law. Since York is at the maximum earned income tax level and its pension plans are designated "moderately distressed" by the Commonwealth[116], the City has access to this additional taxing authority.

There are several limitations in place governing use of the tax:

- The proceeds from the tax may only be used to defray the costs related to meeting the actuarial standards mandated in the Act and directly related to the municipality's pension plans.
- Municipalities cannot use the tax solely to supplant the revenue sources that existed before the pension EIT is levied. The City must maintain the contribution from sources other than the new pension EIT at a percentage of payroll that is equal to or more than the three-year average contribution preceding the pension EIT's enactment. For example, if the City used non-pension EIT revenues to make a pension contribution equal to 5.0 percent of its payroll in 2009, 2010 and 2011, then the City would have to use those same existing revenues to make a contribution of at least 5.0 percent in 2012.
- Municipalities cannot reduce their level of pension contributions prior to adopting the new tax.

Revenue generated by the pension EIT would be allocated solely to the City to cover its pension obligations. The City could not use the revenue for other purposes. The City could levy the tax not only on York residents and workers that reside in municipalities without an EIT, but on all residents and non-residents working in York.

The City of Allentown decided to pursue this option by levying a new 0.35 percent distressed pension levy on residents and non-residents effective in 2011. If York levied the distressed pension EIT on residents at that same 0.35 percent rate, it would generate an additional $1.6 million in 2012. As noted above, the City could also levy the tax on non-residents to generate more money or levy a lower tax rate on residents and non-residents to generate the same level of revenue. If the 0.35 percent tax were levied on both resident and non-resident earned income, it would generate an additional $2.9 million in 2012.

Levying this new tax would also give the City the highest EIT rate among York County municipalities, making it less competitive within the region in attracting residents and businesses. This disadvantage would be in addition to the City's high real estate taxes relative to the region and taxes like the parking tax that are not levied outside the City. The table below shows how York would compare to the 30 largest municipalities in the Commonwealth before and after levying a 0.35 percent distressed pension EIT.

[116] The Pennsylvania Employee Retirement Commission (PERC) certifies the distressed status for municipal pension plans based on the pension's fund ratio. As of 2009, York's fund ratio was 58 percent. Pension funds are designated minimally distressed once the fund ratio reaches 70 percent.

Pre-Pension EIT		Post-Pension EIT	
City/Borough/Municipality	**Combined Rate**	**City/Borough/Municipality**	**Combined Rate**
Philadelphia city	3.93%	Philadelphia city	3.93%
Scranton city	3.40%	Scranton city	3.40%
Reading city	3.20%	Reading city	3.20%
Wilkes-Barre city	3.00%	Wilkes-Barre city	3.00%
State College borough	2.25%	State College borough	2.25%
Chester city	2.25%	Chester city	2.25%
Hazleton city	2.25%	Hazleton city	2.25%
New Castle city	2.20%	New Castle city	2.20%
Norristown borough	2.10%	Norristown borough	2.10%
Pittsburgh city	2.00%	Pittsburgh city	2.00%
Williamsport city	2.00%	Williamsport city	2.00%
Lebanon city	1.90%	Lebanon city	1.90%
Easton city	1.75%	Easton city	1.75%
McKeesport city	1.70%	McKeesport city	1.70%
Chambersburg borough	1.70%	Chambersburg borough	1.70%
Carlisle borough	1.60%	Carlisle borough	1.60%
Monroeville municipality	1.50%	Monroeville municipality	1.50%
Bethel Park municipality	1.40%	Bethel Park municipality	1.40%
Allentown city	1.35%	Allentown city	1.35%
Johnstown city	1.30%	**York city**	**1.35%**
Altoona city	1.20%	Johnstown city	1.30%
Erie city	1.18%	Altoona city	1.20%
Lancaster city	1.10%	Erie city	1.18%
York city	**1.00%**	Lancaster city	1.10%
Harrisburg city	1.00%	Harrisburg city	1.00%
Plum borough	1.00%	Plum borough	1.00%
Pottstown borough	1.00%	Pottstown borough	1.00%
West Mifflin borough	1.00%	West Mifflin borough	1.00%
Murrysville municipality	1.00%	Murrysville municipality	1.00%

Beyond the regional disadvantages to increasing taxes, the pension EIT is also limited by the terms of Act 205 in terms of what it can generate. The tax can only be used to generate money in addition to the City's baseline contribution to the pension as determined by the ratio of the City's pension contribution relative to payroll over the three prior years. A quick version of that calculation is shown below.

Minimum Pension Contribution from other Non-Pension EIT Sources

	2009	2010	2011	3-year average
Pension contribution	5,249,508	5,426,898	6,605,288	5,760,565
City payroll	20,894,027	20,508,983	21,662,877	21,021,962
Contribution as % of payroll	25.1%	26.5%	30.5%	**27.4%**

Estimated Maximum Amount of Pension EIT Revenue

	2012	2013	2014	2015	2016
3-year average percentage	27.4%	27.4%	27.4%	27.4%	27.4%
Payroll	22,217,662	22,780,104	23,357,037	23,765,879	24,182,014
Minimum contribution from non-pension EIT	6,078,515	6,232,394	6,390,236	6,502,091	6,615,941
Projected MMO	6,605,288	6,605,288	6,605,288	8,806,830	9,009,388
Difference (Max. MMO contribution from pension EIT)	527,000	373,000	215,000	2,305,000	2,393,000
Estimated EIT Rate Necessary to Cover Difference	0.06%	0.04%	0.03%	0.27%	0.27%

As noted above, the City can levy the pension EIT on residents or non-residents to achieve the maximum amount of revenue shown above. The estimated pension EIT rates necessary to achieve the maximum level of revenue in each year are also noted in the table above.

Given the City's past difficulties in making its annual pension contribution on time and other intricacies of Act 205, the projection offered above should also only be considered a rough estimate intended to give City leaders a sense of scale for what this option can generate. The City should consult with its solicitor, pension actuary and pension attorney to evaluate this option further before proceeding.

RV06.	**Increase parking tax to 15 percent**	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$489,000
	Responsible party:	Finance Bureau

The City's current parking tax of 10 percent is slightly below the norm for Pennsylvania cities that have such a levy, though the City's parking tax stands in contrast to the surrounding municipalities that do not have such a levy. Raising the parking tax could reduce the number of non-residents who drive into the City or City residents who visit neighborhoods, like downtown, where there are not large quantities of free parking. If the City raised the parking tax, it should also monitor the impact on other revenues such as the business privilege and mercantile taxes.

Acknowledging these drawbacks, this is one of the few taxes where Commonwealth law does not prohibit the City from raising the rate. The Pennsylvania Supreme Court has held that parking taxes enacted under the Local Tax Enabling Act are not subject to any limit. Additionally, if the City wants to increase its revenue without solely relying on its own residents, the parking tax allows the City to shift some of the burden to people who have to visit the City to benefit from regional assets (i.e. visit the County Office Building, attend arts and cultural events).

Based on the City's projected 2012 parking tax base and considering the elasticity effect a tax increase would have on parking in the City (i.e. higher rates would decrease demand for parking),[117] a five percent rate increase would generate approximately $97,000 per year.

[117] The elasticity assumption used here is 0.3. For every 1 percent increase in the price of parking, there should be a 0.3 percent reduction in parking demand.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	97,000	98,000	98,000	98,000	98,000	489,000

RV07.	Impose a $5 per capita tax	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$295,000
	Responsible party:	Finance

A per capita tax is a flat rate tax levied upon each adult within a taxing jurisdiction. The Commonwealth's Local Tax Enabling Act allows third class cities to impose a per capita tax of up to $10 per year. Municipalities generally may exempt persons whose income from all sources is less than $5,000 from paying the per capita tax. Commonwealth Court rulings allow municipalities to extend this exemption to other people at their discretion, such as people over 62 years of age.

School districts are also authorized to levy a per capita tax provided the combined rate does not exceed $10 per year. If the school district and the City both levy the tax at the maximum amount, the revenues are split between the City and school district.

In most cases, per capita taxes are billed and collected with real estate taxes. Collecting per capita taxes from residents who do not own property is more challenging. Compared to other revenue sources, the cost to collect the per capita tax is high relative to the amount of money the City receives. However, this is another tax option for a City that does not have many at its disposal. If the City levied the maximum $10 rate and shared the revenue with the School District, the projected revenue for City of York is $66,000 per year based on collection rates seen elsewhere.

	City Tax Rate	2009 Adult Population	Possible Revenue	2009 Revenue	Revenue per capita ($5 equiv. rate)
Allentown	$5.00	78,422	$392,110	$180,018	$2.30
Easton	$10.00	20,651	$206,510	$98,815	$2.39
Reading	$5.00	56,238	$281,190	$85,032	$1.51
Average	**$6.67**	**71,725**	**$402,562**	**$121,288**	**$2.07**

Financial Impact

	2011	2012	2013	2014	2015	2016	Total
Discount %	0%	50%	0%	0%	0%	0%	
Fiscal Impact	N/A	32,000	65,000	66,000	66,000	66,000	295,000

RV08.	Impose a mechanical device tax	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$49,000
	Responsible party:	Finance Bureau

A mechanical device tax is a flat fee assessed on all coin operated machines in the city. The tax is typically levied on mechanical amusement devices, but it can be levied on any coin operated device, such as coin-operated washers, jukeboxes and vending machines. Examples of Pennsylvania cities with such a tax include Altoona, Coatesville and Easton. Some cities have exempted certain machines from the tax. For example, Easton exempted washers and dryers from the tax in 2006.

The City already imposes an annual license fee on amusement devices ($100) and juke boxes ($50), which are paid by the owner of each device. The mechanical device tax would be assessed on the end user, as either a flat fee per device or a portion of gross receipts from that machine. State law limits the gross receipts tax to 10 percent of the individual price to activate the machine.

Based on revenue yields seen by the City of Coatesville, if York levied the tax at $150 per device for amusement devices, $100 for jukeboxes, $150 for bowling alleys and pool tables and $70 for vending machines, the tax could yield $11,000 in annual revenue.

Financial Impact

	2011	2012	2013	2014	2015	2016	Total
Discount %	100%	50%	0%	0%	0%	0%	0%
Fiscal Impact	0	5,000	11,000	11,000	11,000	11,000	49,000

RV09.	Increase interest and penalties for delinquent taxes and fees	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$94,000
	Responsible party:	Finance Department

The Local Tax Enabling Act authorizes the City "to prescribe and enforce reasonable penalties" for non-payment of taxes.[118] Taxes covered under this Act include the Earned Income Tax, Business Privilege and Mercantile Tax and the Local Services Tax. Under this authority, the City can assess civil and criminal penalties and interest. The City could increase penalties and interest by a factor of 1.5, as allowable under Commonwealth law, as shown in the table below.

	Current		New	
	Penalty	Interest	Penalty	Interest
Cable Franchise Fee	10%	Prime Rate or Prime Rate + 7.5%	15%	Prime Rate or Prime Rate + 11.25%
Parking Tax	50%	1% per month	75%	1.5% per month
Earned Income Tax	5%	5% per year	7.5%	7.5% per year
Business Privilege and Mercantile Tax	10%	0.5% per month	15%	0.75% per month

[118] 72 P.S. § 6924.706.

	Current		New	
	Penalty	Interest	Penalty	Interest
Local Services Tax	10%	6%	15%	9%
Mechanical Amusement Device Tax	10%	None	15%	None
Admissions Tax	10%	None	15%	None

The City currently has the maximum allowable penalty by Commonwealth law for delinquent real estate taxes, therefore that revenue source has been excluded. In the City of Harrisburg, which levels penalties and interest at levels similar to York, penalties and interest account for approximately 0.55 percent of tax revenues. Assuming York penalties and interest account for a similar percentage, the City could collect an additional $74,534 over five years from adopting this initiative.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	18,000	18,000	19,000	19,000	20,000	94,000

RV10.	Increase parking license fees	
	Target outcome:	Increased revenue
	Five Year Financial Impact:	$35,000
	Responsible party:	Finance Bureau

Currently the City charges parking license fees at $50 per year and $1 per space on all non-residential pay parking lot operators. The draft Act 47 Recovery Plan for Harrisburg suggests raising parking license fees from $1 to $2 per space. The City of Reading charges $5 per space. If York doubled its rates ($100 per year, $2 per space), the projected revenue is an additional $35,000 over five years.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
0	7,000	7,000	7,000	7,000	7,000	35,000

Appendices

Appendix A:

Projected Baseline Budget, FY2011–2016

	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
	GENERAL FUND REVENUES					
Real Estate Taxes						
Current	12,577,930	12,577,930	12,577,930	13,168,554	13,168,554	13,168,554
Prior	45,000	45,000	45,000	45,000	45,000	45,000
Tax Claim	1,226,731	1,349,404	1,349,404	1,413,204	1,413,204	1,413,204
All Other Real Estate Taxes	57,911	57,911	57,911	60,630	60,630	60,630
Act 511 Local Enabling Taxes						
Earned Income	2,200,000	2,222,000	2,244,220	2,266,662	2,318,795	2,372,128
Emerg. Mun. Services/Local Services Tax	1,350,000	1,363,500	1,377,135	1,390,906	1,422,897	1,455,624
Mercantile/Bp Taxes	2,350,000	2,373,500	2,397,235	2,421,207	2,476,895	2,533,864
Admissions Tax	150,000	151,500	153,015	154,545	158,100	161,736
Parking Tax	200,000	202,000	204,020	206,060	210,800	215,648
Total Taxes	***20,157,571***	***20,342,744***	***20,405,869***	***21,126,769***	***21,274,875***	***21,426,387***
Licenses & Permits						
Health Licenses	55,000	55,550	56,106	56,667	57,233	57,806
Cable TV Franchise Licenses	0	0	0	0	0	0
Electrical Permits	40,000	40,400	40,804	41,212	41,624	42,040
Building Permits	235,000	237,350	239,724	242,121	244,542	246,987
Street Cut Permits	40,000	40,400	40,804	41,212	41,624	42,040
All Other Licenses & Permits	452,700	457,305	461,958	466,659	471,409	476,209
Total Licenses & Permits	***822,700***	***831,005***	***839,395***	***847,870***	***856,433***	***865,082***
Charges for Services						
Refuse Fees	5,000,000	5,050,000	5,100,500	5,151,505	5,203,020	5,255,050
Police Reimb - Housing Authority	75,000	75,750	76,508	77,273	78,045	78,826
Police Reimb - Traffic Safety	600,000	606,000	612,060	618,181	624,362	630,606
License Fee	770,000	777,700	785,477	793,332	801,265	809,278
Inspection Fee	348,000	351,480	354,995	358,545	362,130	365,751
All Other Charges for Services	1,342,385	1,355,952	1,369,657	1,383,504	1,397,492	1,411,623
Total Charges for Services	***8,135,385***	***8,216,882***	***8,299,197***	***8,382,338***	***8,466,315***	***8,551,135***

	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Fines & Forfeits						
Traffic Fines	235,000	235,000	235,000	235,000	235,000	235,000
Criminal Fines	340,000	340,000	340,000	340,000	340,000	340,000
Parking Fine-City,State,Parkin	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Parking Fines - Magistrate	300,000	300,000	300,000	300,000	300,000	300,000
Towing Fees	25,000	25,000	25,000	25,000	25,000	25,000
All Other Fines & Forfeits	188,000	188,000	188,000	188,000	188,000	188,000
Total Fines & Forfeits	***2,088,000***	***2,088,000***	***2,088,000***	***2,088,000***	***2,088,000***	***2,088,000***
Intergovernmental Revenue						
Police Grants	377,229	377,229	377,229	122,479	122,479	122,479
Miscellaneous Grant	5,080,000	80,000	80,000	80,000	80,000	80,000
All Other Intergovernmental Revenues	325,574	325,574	325,574	325,574	325,574	325,574
Total Intergovernmental Revenue	***5,782,803***	***782,803***	***782,803***	***528,053***	***528,053***	***528,053***
Interest						
Interest	20,000	20,200	20,402	20,606	20,812	21,020
Total Interest	***20,000***	***20,200***	***20,402***	***20,606***	***20,812***	***21,020***
Contributions/PILOTs	584,400	584,400	584,400	584,400	584,400	584,400
Miscellaneous Sales	145,375	145,375	145,375	145,375	145,375	145,375
Rents, Loans, Program Income	132,000	132,000	132,000	132,000	132,000	132,000
Reimbursements	1,166,336	1,166,336	1,166,336	1,166,336	1,166,336	1,166,336
Interfund Transfers	4,804,456	4,804,456	4,804,456	4,804,456	4,804,456	4,804,456
TOTAL REVENUE	**43,839,026**	**39,114,201**	**39,268,233**	**39,826,204**	**40,067,055**	**40,312,244**

	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
	GENERAL FUND EXPENDITURES					
Payroll						
Full-Time Salaries/Wages	14,558,301	14,934,559	15,320,541	15,716,498	16,122,690	16,539,379
Part-Time Wages	355,462	364,649	374,073	383,741	393,659	403,833
Overtime	1,115,626	1,144,459	1,174,037	1,204,380	1,235,507	1,267,439
Shift Differential	113,000	113,000	113,000	113,000	113,000	113,000
Leave Pay	60,000	61,551	63,141	64,773	66,447	68,165
Workers' Compensation	0	0	0	0	0	0
Other Pay	633,950	648,531	663,447	678,706	694,317	710,286
Total Payroll	***16,836,338***	***17,266,748***	***17,708,240***	***18,161,099***	***18,625,620***	***19,102,101***
Fringe Benefits						
Employee Benefits	0	0	0	0	0	0
FICA	517,576	530,953	544,675	558,752	573,193	588,007
Pension	5,845,841	6,342,091	5,845,841	5,845,841	7,794,260	7,973,528
Health Paid Claims/Health Administrative Exp	0	0	0	0	0	0
Other Employee Insurances	0	0	0	0	0	0
Uniforms	262,863	263,838	263,838	263,838	263,838	263,838
Tuition Reimbursement	29,828	30,514	31,216	31,934	32,668	33,420
Total Fringe Benefits	***6,656,108***	***7,167,396***	***6,685,570***	***6,700,365***	***8,663,959***	***8,858,793***
Professional Services						
Professional Services	1,149,675	1,176,118	1,203,168	1,230,841	1,259,150	1,288,111
Total Professional Services	***1,149,675***	***1,176,118***	***1,203,168***	***1,230,841***	***1,259,150***	***1,288,111***
Special Items						
Interfund Transfers	664,263	689,124	694,381	700,043	705,325	711,064
Insurance Allocations (Health Insurance)	6,606,160	7,336,753	8,148,144	9,049,270	10,050,053	11,161,515
All Other Allocations	2,212,171	2,212,171	2,212,171	2,212,171	2,212,171	2,212,171
Civic Expenses	93,292	95,438	97,633	99,878	102,176	104,526
Contributions	28,620	29,278	29,952	30,641	31,345	32,066
Refunds	7,000	7,161	7,326	7,494	7,667	7,843
Personnel/Operating Costs	200,000	204,600	209,306	214,120	219,045	224,083
Travel	47,740	48,217	48,699	49,186	49,678	50,175
Training	100,636	102,951	105,319	107,741	110,219	112,754
Misc. Special Items	12,900	13,197	13,500	13,811	14,128	14,453
Debt Service	0	0	0	0	0	0
Indirect Costs	0	0	0	0	0	0
Self-Insured Losses	0	0	0	0	0	0
Total Special Items	***9,972,783***	***10,738,890***	***11,566,431***	***12,484,355***	***13,501,807***	***14,630,650***

	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Contractual Services						
Printing/Binding/Postage	72,858	74,534	76,248	78,002	79,796	81,631
Fuels	111,250	113,030	114,838	116,676	118,543	120,439
Property/Liability Insurance	111,100	113,655	116,269	118,944	121,679	124,478
Utilities	195,114	199,602	204,193	208,889	213,694	218,609
Electric Power	725,150	761,408	799,478	839,452	881,424	925,496
General Contracted Services	331,465	339,089	346,888	354,866	363,028	371,378
Refuse Contracts	2,646,350	2,707,216	2,769,482	2,833,180	2,898,343	2,965,005
Sewer Contracts	0	0	0	0	0	0
Repairs/Maintenance	248,772	254,494	260,347	266,335	272,461	278,727
Rentals	168,225	168,225	168,225	168,225	168,225	168,225
Dues/Conferences	35,307	36,119	36,950	37,800	38,669	39,558
Advertising	55,150	56,418	57,716	59,044	60,402	61,791
Total Contractual Services	***4,700,741***	***4,823,789***	***4,950,634***	***5,081,411***	***5,216,263***	***5,355,337***
Supplies/Materials						
Supplies/Materials	381,377	390,148	399,122	408,302	417,693	427,300
Vehicle Fuels	295,000	322,435	352,421	385,197	421,020	460,175
Total Supplies Materials	***676,377***	***712,583***	***751,543***	***793,498***	***838,713***	***887,474***
Capital Equipment						
Capital Equipment	85,260	87,221	89,227	91,279	93,379	95,526
Total Capital Equipment	***85,260***	***87,221***	***89,227***	***91,279***	***93,379***	***95,526***
Education and Outreach-FHAP						
Education and Outreach-FHAP	12,176	12,456	12,743	13,036	13,336	13,643
Total Education and Outreach-FHAP	***12,176***	***12,456***	***12,743***	***13,036***	***13,336***	***13,643***
TOTAL EXPENDITURES	**40,089,458**	**41,985,202**	**42,967,556**	**44,555,886**	**48,212,226**	**50,231,635**
TOTAL REVENUES	**43,839,026**	**39,114,201**	**39,268,233**	**39,826,204**	**40,067,055**	**40,312,244**
FY SURPLUS/DEFICIT	**3,749,568**	**(2,871,000)**	**(3,699,323)**	**(4,729,682)**	**(8,145,172)**	**(9,919,391)**
TOTAL ENDING FUND BALANCE	**(3,019)**	**(2,874,019)**	**(6,573,342)**	**(11,303,024)**	**(19,448,196)**	**(29,367,586)**

Appendix B:

Major Funds Projections, FY2011–2016

	2011 Budgeted	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
MAJOR FUNDS						
REVENUES						
General Fund	43,839,026	39,114,201	39,268,233	39,826,204	40,067,055	40,312,244
Internal Services Fund	11,548,898	11,548,898	11,548,898	11,548,898	11,548,898	11,548,898
Recreation Fund	1,909,422	1,920,737	1,923,075	1,925,437	1,927,822	1,930,231
Ice Rink Fund	1,257,644	1,270,180	1,282,842	1,295,631	1,308,547	1,321,592
Ice Rink Sinking Fund	634,951	-	-	-	-	-
1995 Bond Issue Sinking Fund	2,953,694	2,962,694	2,962,694	2,962,694	2,962,694	2,962,694
1998 Bond Issue Sinking Fund	962,241	108,461	108,461	108,461	108,461	108,461
2002 Bond Issue Sinking Fund	651,343	657,143	657,143	-	-	-
2011 Bond Issue Sinking Fund	-	1,226,399	1,226,399	1,226,399	1,226,399	1,226,399
2011 Bond Issue	20,000,000	-	-	-	-	-
TOTAL REVENUES	***83,757,220***	***58,808,714***	***58,977,746***	***58,893,723***	***59,149,875***	***59,410,520***
EXPENDITURES						
General Fund	40,089,458	41,985,202	42,967,556	44,555,886	48,212,226	50,231,635
Internal Services Fund	11,488,963	12,237,675	13,237,082	14,346,477	15,831,901	17,224,854
Recreation Fund	1,789,082	1,883,172	1,955,100	2,032,388	2,115,556	2,205,179
Ice Rink Fund	1,257,644	1,282,531	1,308,017	1,334,117	1,360,845	1,388,218
Ice Rink Sinking Fund	625,316	-	-	-	-	-
1995 Bond Issue Sinking Fund	2,892,467	3,022,581	3,362,698	3,502,817	3,847,940	3,998,065
1998 Bond Issue Sinking Fund	836,597	706,609	366,620	856,632	511,644	361,657
2002 Bond Issue Sinking Fund	634,123	633,626	636,126	-	-	-
2011 Bond Issue Sinking Fund	-	1,054,292	1,329,469	1,327,956	1,330,293	1,326,342
2011 Bond Issue	21,122,051	-	-	-	-	-
TOTAL EXPENDITURES	***80,735,701***	***62,805,687***	***65,162,667***	***67,956,272***	***73,210,405***	***76,735,951***
FY SURPLUS/DEFICIT	**3,021,518**	**(3,996,973)**	**(6,184,921)**	**(9,062,548)**	**(14,060,529)**	**(17,325,431)**
TOTAL ENDING FUND BALANCE	**(532,528)**	**(4,529,501)**	**(10,714,422)**	**(19,776,970)**	**(33,837,499)**	**(51,162,931)**

Appendix C:

Projection Growth Rates, FY2011–2016

REVENUES

	2012	2013	2014	2015	2016
Real Estate Taxes					
Current Real Estate Tax	0.00%	0.00%	0.00%	0.00%	0.00%
Prior Real Estate Tax	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Claim	10.00%	0.00%	0.00%	0.00%	0.00%
All Other Real Estate Taxes	0.00%	0.00%	0.00%	0.00%	0.00%
Act 511 Local Enabling Taxes	**1.00%**	**1.00%**	**1.00%**	**2.30%**	**2.30%**
Earned Income	1.00%	1.00%	1.00%	2.30%	2.30%
Emerg. Mun. Services/Local Services Tax	1.00%	1.00%	1.00%	2.30%	2.30%
Mercantile/Business Privilege Taxes	1.00%	1.00%	1.00%	2.30%	2.30%
Admissions Tax	1.00%	1.00%	1.00%	2.30%	2.30%
Parking Tax	1.00%	1.00%	1.00%	2.30%	2.30%
Licenses & Permits	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**
Health Licenses	1.00%	1.00%	1.00%	1.00%	1.00%
Cable TV Franchise Licenses	1.00%	1.00%	1.00%	1.00%	1.00%
Electrical Permits	1.00%	1.00%	1.00%	1.00%	1.00%
Building Permits	1.00%	1.00%	1.00%	1.00%	1.00%
Street Cut Permits	1.00%	1.00%	1.00%	1.00%	1.00%
All Other Licenses & Permits	1.00%	1.00%	1.00%	1.00%	1.00%
Charges for Services	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**
Refuse Fees	1.00%	1.00%	1.00%	1.00%	1.00%
Police Reimbursement- Housing Authority	1.00%	1.00%	1.00%	1.00%	1.00%
Police Reimbursement- Traffic Safety	1.00%	1.00%	1.00%	1.00%	1.00%
License Fee	1.00%	1.00%	1.00%	1.00%	1.00%
Inspection Fee	1.00%	1.00%	1.00%	1.00%	1.00%
All Other Charges for Services	1.00%	1.00%	1.00%	1.00%	1.00%
Fines and Forfeits	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Traffic Fines	0.00%	0.00%	0.00%	0.00%	0.00%
Criminal Fines	0.00%	0.00%	0.00%	0.00%	0.00%
Parking Fines- City, State	0.00%	0.00%	0.00%	0.00%	0.00%
Parking Fines - Magistrate	0.00%	0.00%	0.00%	0.00%	0.00%
Towing Fees	0.00%	0.00%	0.00%	0.00%	0.00%
All Other Fines & Forfeits	0.00%	0.00%	0.00%	0.00%	0.00%

REVENUES

	2012	2013	2014	2015	2016
Intergovernmental Revenue					
Police Grants	0.00%	0.00%	0.00%	0.00%	0.00%
Miscellaneous Grant	0.00%	0.00%	0.00%	0.00%	0.00%
All Other Intergovernmental Revenues	0.00%	0.00%	0.00%	0.00%	0.00%
Interest	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**
Contributions/PILOTs	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Miscellaneous Sales	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Rents, Loans, Program Income	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Reimbursements	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Interfund Transfers	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

EXPENDITURES

	2012	2013	2014	2015	2016
Payroll					
Full-Time Salaries/Wages	2.58%	2.58%	2.58%	2.58%	2.58%
Part-Time Wages	2.58%	2.58%	2.58%	2.58%	2.58%
Overtime	2.58%	2.58%	2.58%	2.58%	2.58%
Shift Differential	0.00%	0.00%	0.00%	0.00%	0.00%
Leave Pay	2.58%	2.58%	2.58%	2.58%	2.58%
Workers' Compensation	*Phased out – Budgeted elsewhere in 2011*				
Other Pay	2.30%	2.30%	2.30%	2.30%	2.30%
Fringe Benefits					
Employee Benefits	2.58%	2.58%	2.58%	2.58%	2.58%
FICA	2.58%	2.58%	2.58%	2.58%	2.58%
Pension	0.00%	0.00%	0.00%	33.33%	2.30%
Health Paid Claims/Health Admin. Expenses	12.00%	12.00%	12.00%	12.00%	12.00%
Other Employee Insurances	3.80%	3.80%	3.80%	3.80%	3.80%
Uniforms	0.00%	0.00%	0.00%	0.00%	0.00%
Tuition Reimbursement	2.30%	2.30%	2.30%	2.30%	2.30%
Professional Services	**2.30%**	**2.30%**	**2.30%**	**2.30%**	**2.30%**

EXPENDITURES

	2012	2013	2014	2015	2016
Special Items					
Interfund Transfers	0.00%	0.00%	0.00%	0.00%	0.00%
Insurance Allocations (Health Insurance)	11.06%	11.06%	11.06%	11.06%	11.06%
Civic Expenses	2.30%	2.30%	2.30%	2.30%	2.30%
Contributions	2.30%	2.30%	2.30%	2.30%	2.30%
Refunds	2.30%	2.30%	2.30%	2.30%	2.30%
Personnel/Operating Costs	2.30%	2.30%	2.30%	2.30%	2.30%
Travel	1.00%	1.00%	1.00%	1.00%	1.00%
Training	2.30%	2.30%	2.30%	2.30%	2.30%
Misc. Special Items	2.30%	2.30%	2.30%	2.30%	2.30%
Debt Service	*Based on Scheduled Debt Service*				
Indirect Costs	2.30%	2.30%	2.30%	2.30%	2.30%
Self-Insured Losses	2.30%	2.30%	2.30%	2.30%	2.30%
Contractual Services					
Printing/Binding/Postage	2.30%	2.30%	2.30%	2.30%	2.30%
Fuels	1.60%	1.60%	1.60%	1.60%	1.60%
Property/Liability Insurance	2.30%	2.30%	2.30%	2.30%	2.30%
Utilities	2.30%	2.30%	2.30%	2.30%	2.30%
Electric Power	5.00%	5.00%	5.00%	5.00%	5.00%
General Contracted Services	2.30%	2.30%	2.30%	2.30%	2.30%
Refuse Contracts	2.30%	2.30%	2.30%	2.30%	2.30%
Sewer Contracts	2.30%	2.30%	2.30%	2.30%	2.30%
Repairs/Maintenance	2.30%	2.30%	2.30%	2.30%	2.30%
Rentals	0.00%	0.00%	0.00%	0.00%	0.00%
Dues/Conferences	2.30%	2.30%	2.30%	2.30%	2.30%
Advertising	2.30%	2.30%	2.30%	2.30%	2.30%
Supplies/Materials					
Supplies/Materials	2.30%	2.30%	2.30%	2.30%	2.30%
Vehicle Fuels	9.30%	9.30%	9.30%	9.30%	9.30%
Capital Equipment	**2.30%**	**2.30%**	**2.30%**	**2.30%**	**2.30%**
Education and Outreach-FHAP	**2.30%**	**2.30%**	**2.30%**	**2.30%**	**2.30%**

Appendix D:

Initiative List

Chapter	No.	Initiative	2012	2013	2014	2015	2016	Total
Workforce	WK01.	Restructure employee health insurance to reduce costs – 8% cap	52,000	170,000	463,000	759,000	1,268,000	2,712,000
Workforce	WK02.	Cash compensation savings target	137,000	467,000	809,000	1,317,000	1,507,000	4,237,000
Workforce	WK03.	Limit additional pension liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	WK04.	Align pension benefits & contributions with Third Class City Code	N/A	N/A	N/A	N/A	N/A	N/A
Business Administration	BA01.	Improve online tax information and payment options	N/A	N/A	N/A	N/A	N/A	N/A
Business Administration	BA02.	Develop formal financial policies	N/A	N/A	N/A	N/A	N/A	N/A
Business Administration	BA03.	Develop an information technology improvement plan	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)
Business Administration	BA04.	Review copiers, phone lines and other technology for excess capacity	N/A	N/A	N/A	N/A	N/A	N/A
Business Administration	BA05.	Maintain parking system support for General Fund	300,000	300,000	300,000	300,000	300,000	1,500,000
Business Administration	BA06.	Complete a comprehensive compensation comparability study	0	0	(50,000)	(50,000)	0	(100,000)
Business Administration	BA07.	Project costs associated with collective bargaining proposals, arbitration awards and grievance awards	N/A	N/A	N/A	N/A	N/A	N/A
Business Administration	BA08.	Generate sufficient revenue to phase out General Fund subsidy	13,000	23,000	36,000	42,000	47,000	161,000
Public Works	PW01.	Pursue shared services with other governments in region	TBD	TBD	TBD	TBD	TBD	TBD
Public Works	PW02.	Develop and use performance measurements	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW03.	Update intermunicipal service agreements	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW04.	Sell excess plant capacity	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW05.	Move tax-funded services to a service charge funding mechanism	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW06.	Restructure Fleet Management	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW07.	Establish a local apprentice program	N/A	N/A	N/A	N/A	N/A	N/A
Public Works	PW08.	Eliminate the projected Ice Rink deficit	12,000	25,000	38,000	53,000	67,000	194,000

Chapter	No.	Initiative	2012	2013	2014	2015	2016	Total
Public Works	PW09.	Implement an electronic facilities management system	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	ECD01.	Improve inter-bureau collaboration	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	ECD02.	Plan for CDBG reduction	9,000	34,000	62,000	92,000	125,000	337,000
Econ. & Comm. Development	ECD03.	Collaborate with Permits, Planning & Zoning	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	ECD04.	Acquire access to the latest ArcGIS software	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	ECD05.	Create a micro-financing program	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	ECD06.	Align resources with community development initiatives	N/A	N/A	N/A	N/A	N/A	N/A
Econ. & Comm. Development	HE01.	Generate sufficient revenue to phase out General Fund subsidy	73,000	114,000	158,000	163,000	170,000	678,000
Revenue	RV01.	Establish policies governing transfers for cost reimbursements	136,000	287,000	456,000	644,000	853,000	2,375,000
Revenue	RV02.	Establish policies governing return on investment from Sewer Fund	N/A	N/A	N/A	N/A	N/A	N/A
Revenue	RV03.	Review real estate taxable assessments for possible appeals	N/A	N/A	N/A	N/A	N/A	N/A
Revenue	RV04.	Conduct tax exempt property audit and expand PILOT payments	38,000	77,000	122,000	167,000	170,000	574,000
Revenue	RV05.	Levy distressed pension earned income tax	527,000	373,000	215,000	2,305,000	2,394,000	5,813,000
Revenue	RV06.	Increase parking tax to 15 percent	97,000	98,000	98,000	98,000	98,000	489,000
Revenue	RV07.	Impose a $5 per capita tax	32,000	65,000	66,000	66,000	66,000	295,000
Revenue	RV08.	Impose a mechanical device tax	5,000	11,000	11,000	11,000	11,000	49,000
Revenue	RV09.	Increase interest and penalties for delinquent taxes and fees	18,000	18,000	19,000	19,000	20,000	94,000
Revenue	RV10.	Increase parking license fees	7,000	7,000	7,000	7,000	7,000	35,000