

7/21/15 Council mtg



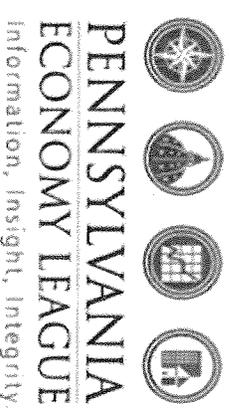
**PENNSYLVANIA
ECONOMY LEAGUE**
Information. Insight. Integrity.

City of York Early Intervention Program

Long-Term Financial Improvement Initiatives Report July 2015

Early Intervention Plan III

Project Team and Scope of Work



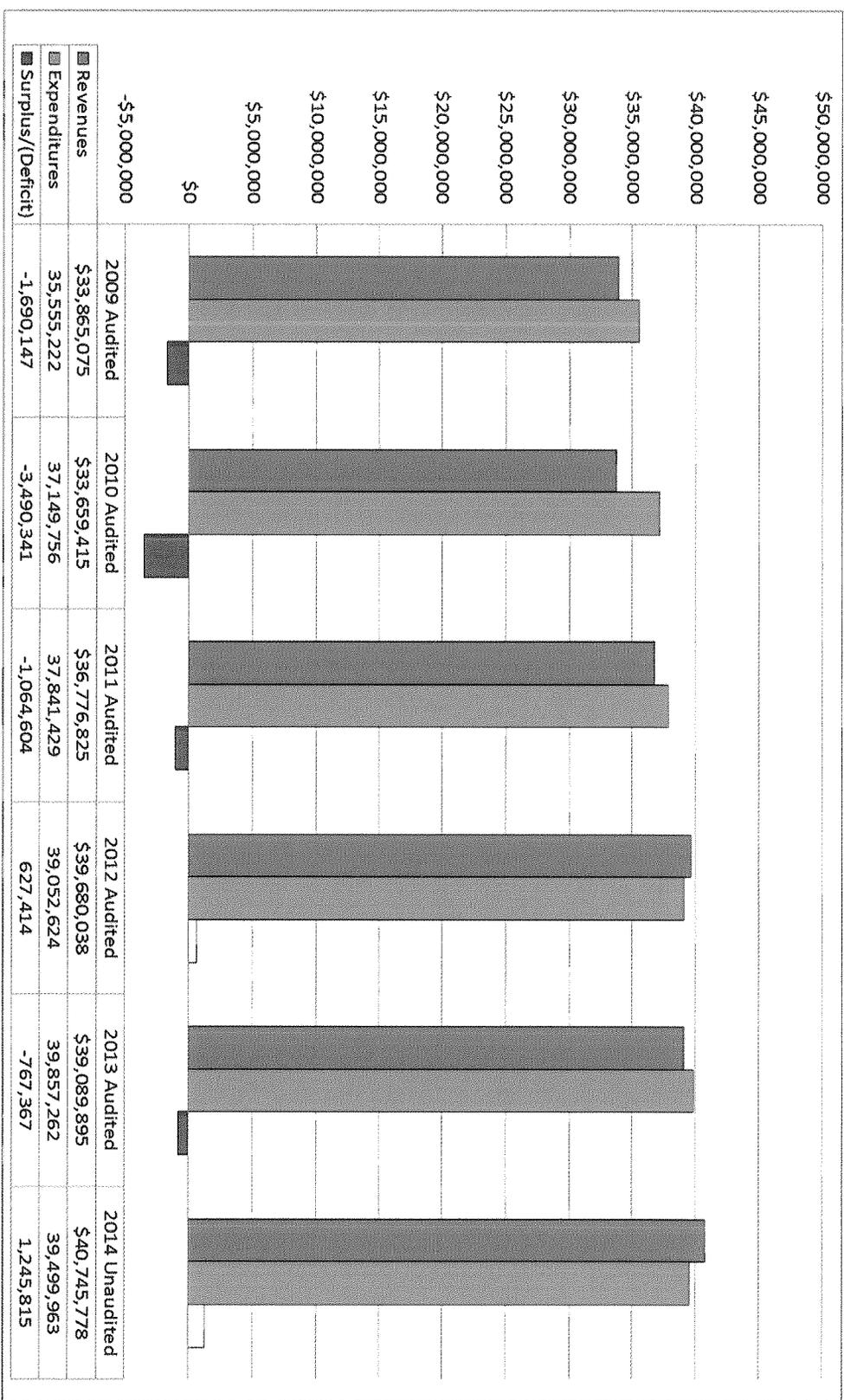
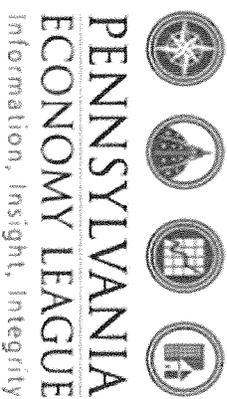
- **PROJECT TEAM MEMBERS**
 - Pennsylvania Economy League
 - Ballard Spahr LLP
 - Municipal Advisor Solutions, LLC
- **SCOPE OF WORK**
 - Historical and Projected Financial Review 2010-2020
 - 2015 Cashflow
 - Asset Review, Cash Defeasance, Debt Restructuring Options
 - Labor Recommendations
 - Review of Available Approaches to Financial Stability
 - Third Class City Comparison
 - Recommendations for Additional Studies

Early Intervention Plan III Summary

- York has taken numerous steps since 2011 EIP to regain financial footing
 - Increases in real estate property taxes, refuse fee and parking taxes
 - Implemented Act 205 EIT
 - Modified health benefits to reduce costs
 - Departmental staff reductions
 - Negotiated contract changes with police
- **Deficits still projected to reoccur**
 - Escalating legacy costs
 - High percentage residential poverty
 - Large amount tax exempt properties
 - Inflexible taxing options (limited revenue from nonresidents)
 - Need to provide high level public services to own population and as county seat

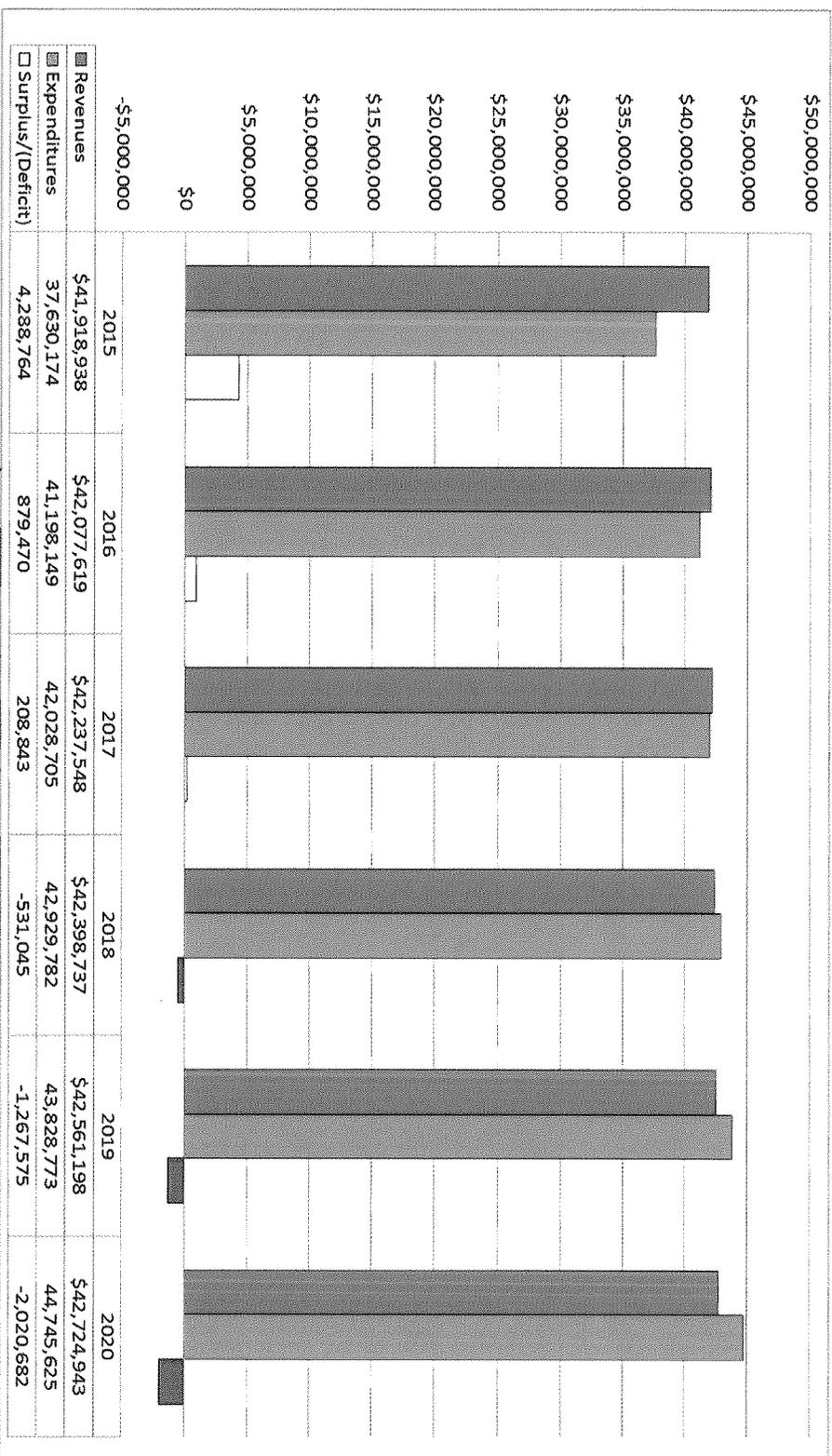
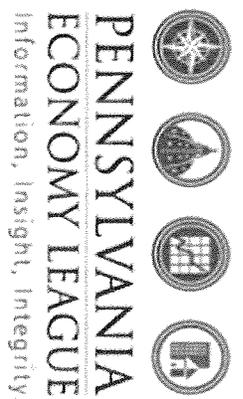
General Fund Finances

Historical Review 2009-2014

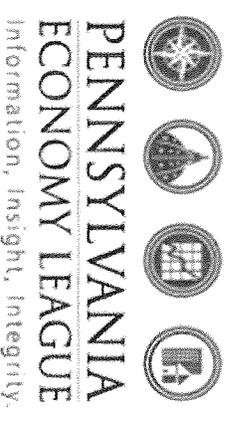


General Fund Finances

Projection Summary 2015-2020

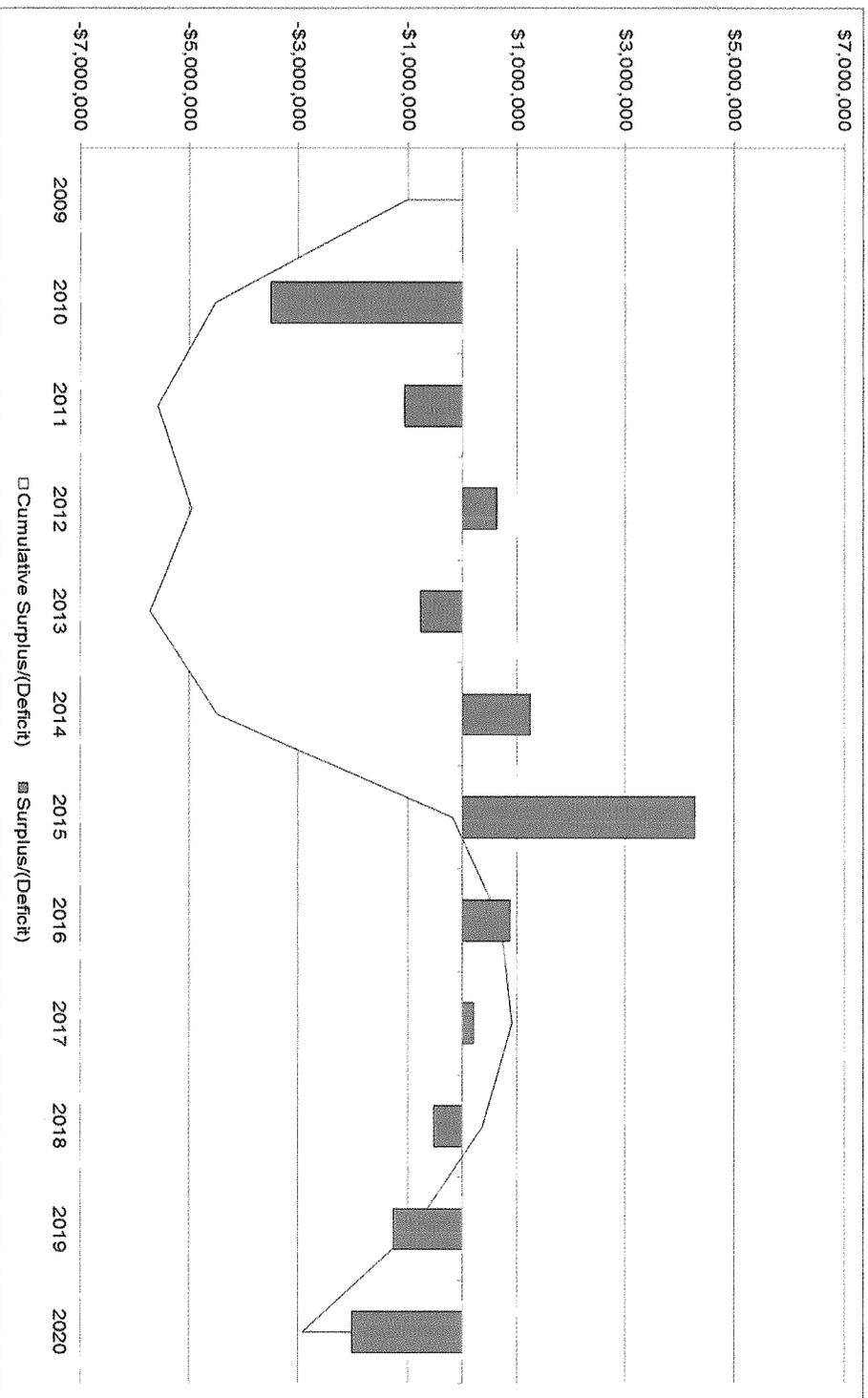
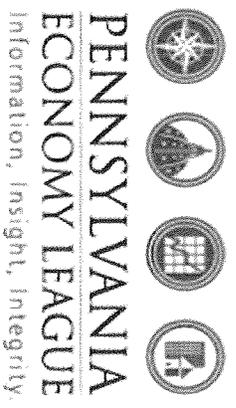


General Fund Finances Projection Summary 2015-2020



- City deficits not expected to reoccur until 2018
- Timeframe provides City with window to make necessary changes in order to avoid deficits

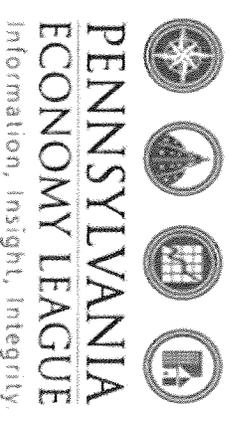
General Fund Finances 2009 - 2020



Note: 2009 Cumulative Deficit from PFM 2011 EIP Final Report Introduction page 19.

Asset Review

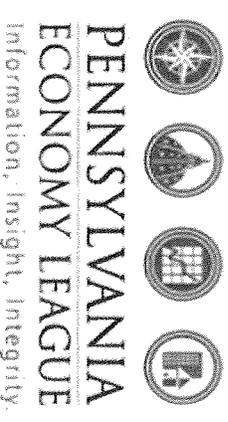
Goals



- Identify asset review goals such as:
 - Eliminate expenses paid for by General Fund with respect to guaranteed debt
 - Shield City from future costs due to capital needs or regulatory mandates
 - Generate proceeds to reduce burden on General Fund or pension obligations
- Integrate goals and objectives into a comprehensive plan taking into account :
 - Projected budget shortfalls after Act 205 funding
 - Necessary changes that need to be negotiated with bargaining units.

Asset Review

Next Steps



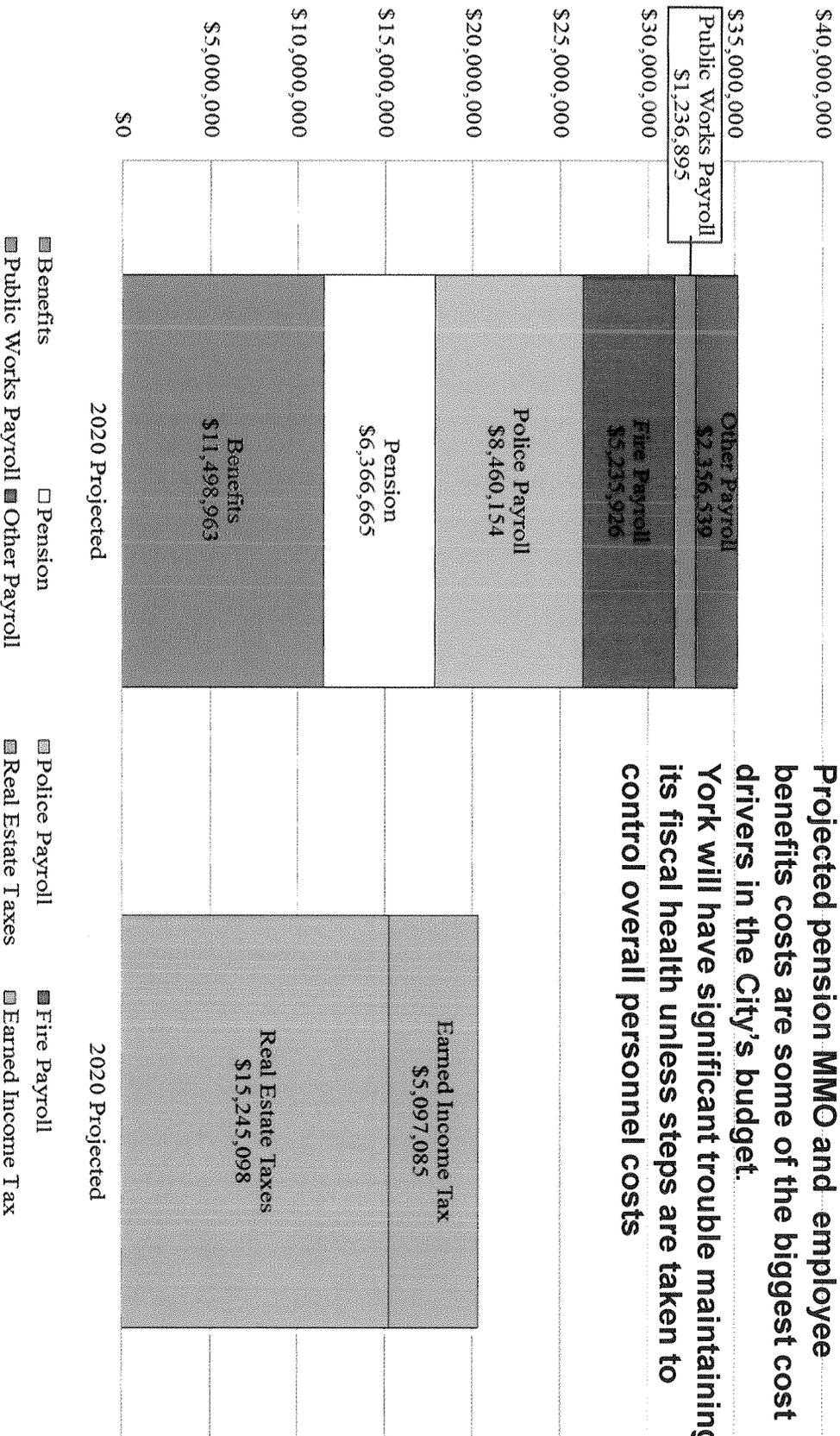
- **Ice Rink Options**
 - Meet with existing manager and discuss what they may be willing to do
 - Consider Requests for Proposals (RFP) for operations and maintenance, long-term lease or sale
 - Conduct study to explore options
- **Parking**
 - Obtain funding for a demand and facilities study; conduct RFP
 - Determine best approach to parking based on study results
 - Retain professional advisors as necessary
- **Sewer**
 - Obtain funding for original and depreciated cost study along with updated capital improvement plan; conduct RFP
 - Determine best approach to sewer based on study results
 - Retain professional advisors as necessary



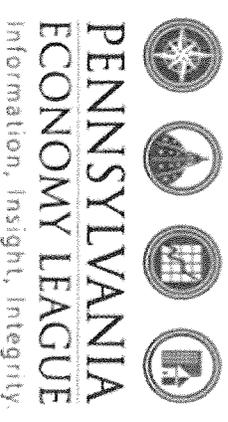
PENNSYLVANIA
ECONOMY LEAGUE
 Information, Insight, Integrity.

Labor Considerations

Projected pension MMO and employee benefits costs are some of the biggest cost drivers in the City's budget. York will have significant trouble maintaining its fiscal health unless steps are taken to control overall personnel costs

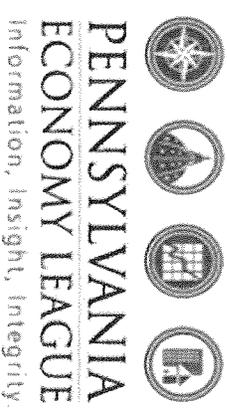


Labor Considerations



- Establish a Bargaining Pattern
 - City has no leeway to expand or increase employee benefits
- Conduct Benefits Audit to determine total benefit level and real cost
 - Health care options
 - Affordable Care Act implications
 - Eligibility rules
 - Post-retirement health care
 - Pension benefit changes for retirees and existing employees
 - Pension benefits for new hires
 - Wages and other compensation
- Consider regionalization and shared services

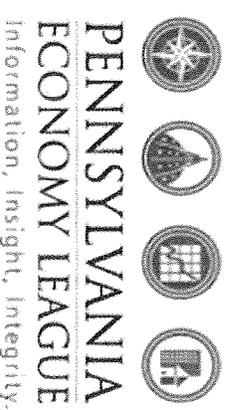
Labor Considerations Suggested Workforce Expenditure Guidance



City should hold the line on contract costs

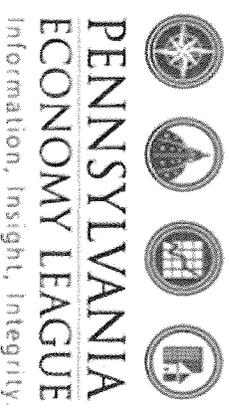
- Limit total amount of dollars available for new contracts
- Total first year cost for new contract should be no higher than last year of current contract
- Must be done through collective bargaining process

Act 47 Distressed Municipality Option



- Expenditure limits for collective bargaining
 - Places cap on expenditures for new union contracts
 - Arbitration awards subject to provision
- Increase EIT rate
 - Can be levied on residents and nonresidents for general purposes
 - Requires court approval
 - Act 47 time limits (Five years/possible three years extension)
- Increase LST rate
 - Triple \$52 flat rate on incomes over \$15,600
 - Double flat rate if collecting Act 205 EIT (York)
 - Requires court approval
 - Act 47 time limits (Five years/possible three years extension)
- Grant and loans

Act 47 Distressed Municipality Option



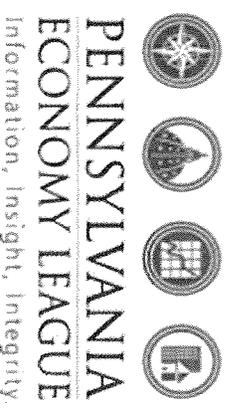
- York qualifies for Act 47 because of past years' missed pension payments
- But City can address financial problems without Act 47
 - Hold line on labor costs through collective bargaining
 - Levy Act 205 EIT (York implemented tax this year)
 - Debt Restructuring/Cash Defeasance
 - City currently below property tax cap

Act 47 Distressed Municipality Option

- EIP III provides recommendations for proactive steps to regain fiscal control without Act 47
- City should seek state financial assistance to study EIP recommended measures to:
 - Develop fresh approaches to valuing assets
 - Develop labor strategies
 - Obtain appropriate expert support to make sound financial decisions
 - Assist the City interpret findings and develop strategy going forward
- Act 47 remains an option if recommended measures fail to materialize

Early Intervention Plan III

Next Steps



- Estimated scope of recommended studies
 - Sewer System, Parking, Ice Rink Review
 - Financial Consulting
 - Labor Negotiation Expertise
 - Other Capital Needs Assessments
 - Resident Housing Market Demand Study
- **Estimated additional support:**
 - Advise City on scope of analysis, minimum qualifications of providers, selection criteria, etc.
 - Advise City on review of proposals submitted by service providers
 - Interface with providers on scope of analysis and format of findings to match City needs
 - Review draft analyses and reports; ensure findings match the intended purpose
 - Review final analyses and reports; advise City on implications of reports and necessary and appropriate follow-through
 - Incorporate content of final reports into implementation of decisions informed thereby



PENNSYLVANIA
ECONOMY LEAGUE
Information, Insight, Integrity.

Questions?

pelcent@epix.net

www.pelcentral.org