

West Chester Borough

Early Intervention Program Report



Prepared By:

Pennsylvania Economy League, Central PA Division, LLC
88 North Franklin Street, Suite 200
Wilkes-Barre, PA 18701

March 2018

Table of Contents

		<u>Page</u>
CHAPTER 1	INTRODUCTION	1-1
CHAPTER 2	GOVERNMENT STRUCTURE AND DEMOGRAPHICS	2-1
CHAPTER 3	HISTORICAL FINANCIAL REVIEW	3-1
CHAPTER 4	FINANCIAL PROJECTIONS	4-1
CHAPTER 5	SEWER AND PARKING ASSET ANALYSIS	5-1
CHAPTER 6	LABOR	6-1
CHAPTER 7	ECONOMIC DEVELOPMENT	7-1
CHAPTER 8	OPERATIONS REVIEW	8-1
CHAPTER 9	OBERVATIONS AND RECOMMENDATIONS	9-1
APPENDIX	WEST CHESTER BOROUGH POLICE REPORT	

CHAPTER 1 INTRODUCTION

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

The current analysis involved a review of the municipality's year-end financial reports; independent audits; debt payment schedules; pension obligations; collective bargaining agreements; the 2017 budget; other fiscal data; and other relevant information and factors that may affect the current and future financial condition of the municipalities, including socio-demographic data. In addition, PEL staff interviewed and held discussions with Borough officials regarding the municipal information.

PEL acknowledges and appreciates the full cooperation of all who contributed in the preparation of this study including the elected officials, department heads and staff of West Chester Borough. Special thanks are extended to the members of the Borough Council, Diane LeBold, president; Michael Stefano; Michael Galey; Donald Braceland; Bernie Flynn; Denise Polk; and William Scott; Mayor Dianne Herrin; and Borough Manager Michael Perrone. The analysis could not have been successfully completed without their assistance.

In the course of this project PEL:

- Analyzed the financial history of the Borough and the Borough from 2012 through 2016 focusing on such factors as revenues, expenditures, tax base, operating positions, and debt structure.
- Examined the historical data and the 2017 and 2018 budgets in relation to ongoing operations, collective bargaining agreements, other salary and benefit requirements, financial inter-relationships among the component funds and other obligations of the Borough.

- Projected, to the extent possible based on known factors and available data, revenues and expenditures for 2018 through 2022 assuming continuation of obligated levels of wages and operations, existing revenue patterns, and other operating trends.
- Performed an operational/management review of administration as well as reviews of police, debt, assets, labor and economic development.
- Compiled recommendations for all areas reviewed.

CHAPTER 2 GOVERNMENT STRUCTURE AND DEMOGRAPHICS

Introduction

The existence of municipal governments in Pennsylvania is authorized by the Pennsylvania Constitution and state law. All land within the Commonwealth is incorporated by law as a municipality with its own government. There are three primary types or classifications of municipal governments: cities (of the first, second, or third class), boroughs and townships (of the first or second class). In addition, Pennsylvania permits municipalities to establish home rule. Home rule transfers the basic authority to act in municipal affairs from state law, as set forth by the General Assembly, to a local charter, locally drafted and adopted by municipal voters. The Borough of West Chester adopted a home rule charter in 1993 that went into effect in 1994.

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

West Chester Borough Government

Location and Structure

West Chester Borough, Chester County is located in southeast Pennsylvania approximately 25 miles west of Philadelphia and 17 miles north of Wilmington, Delaware. The Borough is 1.8 square miles. It is bordered by the townships of West Goshen and East Bradford.

The seat of county government since 1786, the Borough was incorporated in 1799. Clock making and wheelworks, first for wagons and later for automobiles, were historically important industries in the 18th and 19th centuries. The West Chester Downtown Historic District was listed on the National Register of Historic Places as are numerous buildings within the Borough. West Chester devoted significant funds and effort to economic development starting in the mid-1990s. The downtown is now a major regional arts and entertainment center with an eclectic mix of thriving restaurants, boutique shops and annual events that draw tens of thousands of people. The

Borough's downtown economic revitalization has been cited as a success story by numerous publications and it has received various awards for its success by agencies and organizations, including the Pennsylvania Department of Community and Economic Development.

In addition, West Chester is home to West Chester University, which is the largest of the 14 universities in the Pennsylvania State System of Higher Education. Founded in 1871 as a teacher's college, WCU has a total enrollment of over 16,000 undergraduate and graduate students. Thirty-six percent of undergraduates live on campus while 64 percent live off campus or commute. The university is over 400 acres, most of which is in West Chester Borough. The university has a large impact on the Borough's demographics from population to housing to income.

West Chester's home rule charter is similar to the Pennsylvania Borough Code in that it is characterized by a strong and dominant council and a weak executive (in terms of duties, responsibilities, and powers). The West Chester Borough Council is comprised of seven members representing seven wards. Council members serve a four-year term and are eligible for reelection once. The powers of Council set forth in the charter are broad and extensive covering virtually the whole range of municipal functions. Council serves as the legislative body by setting policy, enacting ordinances and resolutions, adopting budgets, and levying taxes. In addition, Council is charged with appointing the Borough Manager. Duties of the Borough Manager include overall supervision of all departments; appointment of department heads; enforcement of resolutions, ordinances and orders of Council; budget preparation; and oversight of similar day-to-day Borough operations.

The Mayor is the ceremonial head of the government and has duties related to the daily operations of the Police Department. The Mayor has no vote on Council except to break ties; however, the Mayor does have some veto power.

Overview of Government Services, Staffing, Taxes, and Fees

In addition to the Borough Manager, the Borough administration includes a human resources director, an administrative assistant, a treasurer/finance director and four finance staff members, a chief information officer and one information technology staff member, and a building and housing director and four building inspector/housing officers.

The Borough provides direct police protection to its residents with 44 full-time officers including a chief, three lieutenants, six sergeants, six corporals, two detectives and 26 patrol officers, as well as ten dispatch and clerical support staff. Fire protection is provided by three volunteer companies, First West Chester Fire Co. #1, Good Will Fire Co. #2, and Fame Fire Co. #3. Emergency management services are provided by Good Fellowship Ambulance.

Curbside recycling and trash collection are provided by the Borough's public works department. A per-bag system is used for refuse. Public works has 33 employees in addition to the director. The various divisions are streets, refuse, mechanics, borough building maintenance and parking meter maintenance. The Borough owns two wastewater treatment plants and four pumping stations overseen by 16 employees. In addition to providing sewer services to its residents, the Borough also provides sewer services to East Bradford Township.

Parks and recreation is overseen by a director and two staff members in addition to part-time summer employees, who are mostly college students. The Borough has 11 parks (Bayard Rustin Park, Everhart Park, Fugett Park, Green Field Park, Hoopes Park, Horace Pippin Park, John O. Green Memorial Park, Kath McBratnie Park, Marshall Square Park, Mosteller Park, and Veterans Memorial Park) with amenities including pavilions, playgrounds, picnic tables, grills, gazebos, activity buildings, athletic fields, basketball courts, and tennis courts. Parks and recreation also provides a robust list of activities for residents including bus trips, events (parades, music and art festivals, etc.), summer camps, art and STEM classes and various other programs.

The Borough has an extensive number of parking lots and garages, as well as on street parking meters, that it owns and operates with a parking director and 12 employees.

Borough taxes in 2017 include a 6.96 mill real estate tax (6.34 for general purposes, 0.47 for debt service, and 0.15 for library). The resident earned income tax received by the Borough is 0.5 percent. Other taxes include a \$52 local services tax, a \$150 mercantile/business privilege tax, a \$200 mechanical devices tax, and a 0.5 percent realty transfer tax.

West Chester Borough Demographics

Introduction

Demographics in West Chester are impacted by the presence of West Chester University. U.S. Census figures count an individual in the municipality where the person spends the most time. As a result, WCU students who live in the Borough while attending school are counted as West Chester residents. This impacts population and income figures, and is likely a reason why income measurements in West Chester are significantly lower than Chester County as a whole. Twenty percent of the Borough lives in group quarters, which includes college dormitories. The percentage of rental units is also high. Although students probably make up a large number of renters, Borough officials noted a growing number of high-end apartments that are attracting professional millennials and empty nester baby boomers. In addition, Borough officials noted a trend of renovating multi-unit student rental houses back to single family, owner occupied homes. This reflects the high median value — almost \$300,000 — of single family, owner-occupied homes. Meanwhile, unlike Pennsylvania, which is generally growing older, West Chester’s over 65 age population has declined. In fact, population in the Borough has been relatively flat with a slight decline since 1970.

Population

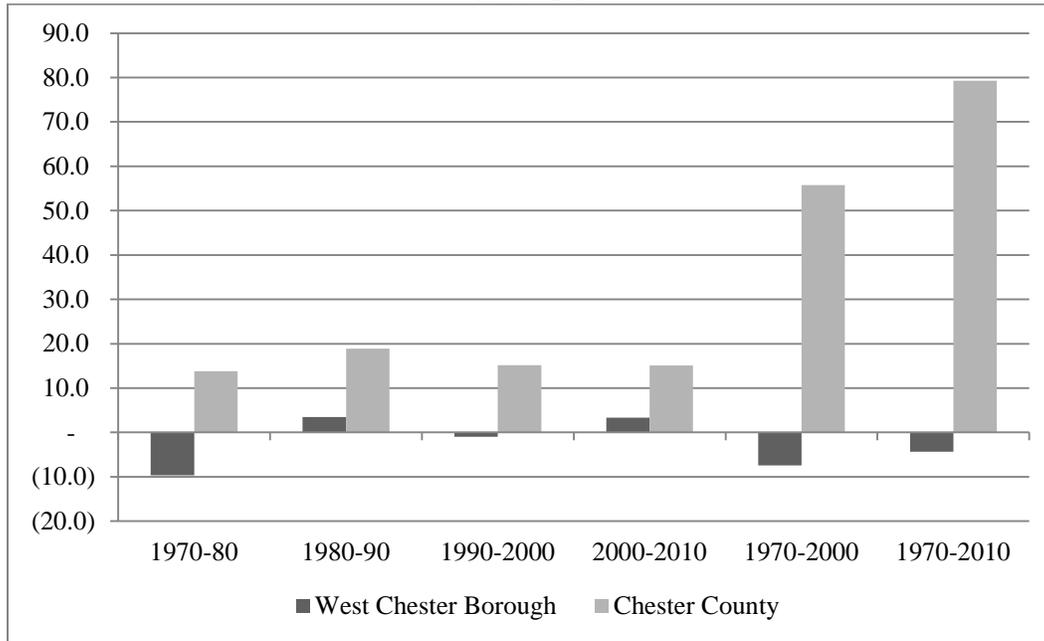
Population in West Chester Borough has fluctuated over the years, starting at a high of 19,301 in 1970 and falling to a low of 17,435 in 1980. Population was 18,461 at the end of the historical review period in 2010. The change from 1970 was a decrease of 840 or 4.4 percent. In contrast, population in Chester County as a whole steadily grew from 1970 to 2010, increasing by 220,575 or 79.3 percent. The largest absolute growth in Chester County occurred from 2000 to 2010 while the largest percentage increase was from 1980 to 1990. (See Table 2-1 and Graph 2-1)

Table 2-1
WEST CHESTER BOROUGH
Population Trend
1970 to 2010

	1970	1980	1990	2000	2010
West Chester Borough	19,301	17,435	18,041	17,861	18,461
Chester County	278,311	316,660	376,396	433,501	498,886
# Change	1970-80	1980-90	1990-2000	2000-2010	1970-2010
West Chester Borough	(1,866)	606	(180)	600	(840)
Chester County	38,349	59,736	57,105	65,385	220,575

% Change	1970-80	1980-90	1990-2000	2000-2010	1970-2010
West Chester Borough	(9.7)	3.5	(1.0)	3.4	(4.4)
Chester County	13.8	18.9	15.2	15.1	79.3

Table 2-1
 WEST CHESTER BOROUGH
% Population Change
 1970 to 2010



Births, Deaths, and Population Change 1970 through 2014

West Chester experienced a “natural” population growth of 1,275 from 1970 to 1979, while the total population change during that period was a decline of 1,866. That indicates a net out migration of 3,141, the largest of the review period. Out migration continued for the next 20 years, with a 1,106 decline from 1980 to 1989 and a 839 drop from 1990 to 1999. The trend began to reverse in 2000, with in migration of 282 from 2000 to 2009 and 183 from 2010 to 2014. Comparing 1970 to 2014, the “natural” population change was an increase of 4,180, while net migration was a decline of 4,621. (See Table 2-2)

Table 2-2
 WEST CHESTER BOROUGH
Resident Births, Deaths and Population Trend
 1970 to 2014

	1970 to 1979	1980 to 1989	1990 to 1999	2000 to 2009	2010 to 2014	1970 to 2014
Births	3,577	3,881	2,686	2,372	891	13,407
Deaths	2,302	2,169	2,027	2,054	675	9,227
Natural Pop. Change	1,275	1,712	659	318	216	4,180
Total Population (start)	19,301	17,435	18,041	17,861	18,461	19,301
Total Population (end)	17,435	18,041	17,861	18,461	18,860	18,860
Total Population Change	-1,866	606	-180	600	399	-441
Less Natural Change	1,275	1,712	659	318	216	4,180
Net Migration	-3,141	-1,106	-839	282	183	-4,621

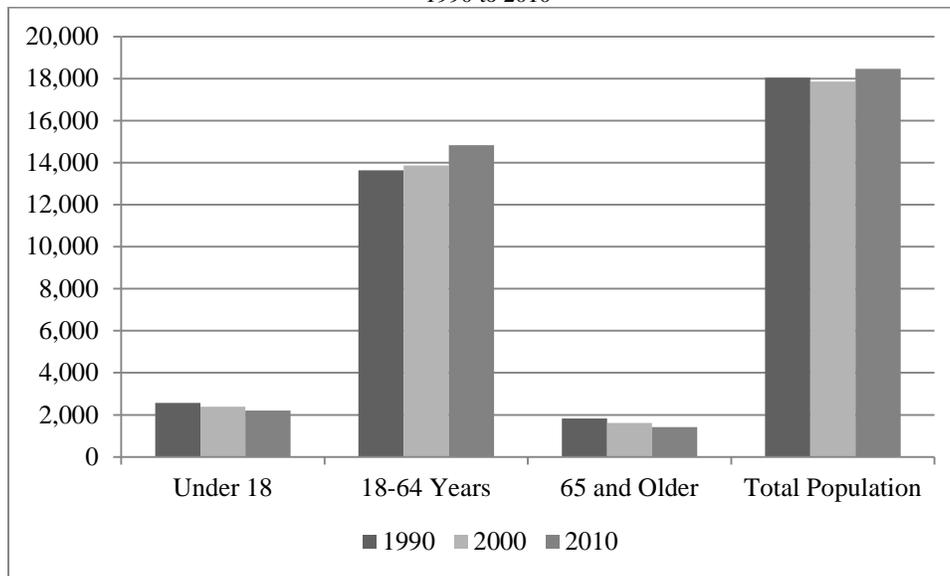
Population by Age Group

The largest percentage population growth by age from 1990 to 2010 came in the 18 to 64 age category, while the under 18 population declined by 14.3 percent and the 65 and over population fell by 22.4 percent. The 18 to 64 population increased by almost 9 percent during the review period, rising from 13,642 in 1990 to 14,839 in 2010. The under age 18 population declined from 2,568 in 1990 to 2,202 in 2010, while the 65 and over population decreased from 1,831 in 1990 to 1,420 in 2010. (See Table 2-3 and Graph 2-2)

Table 2-3
 WEST CHESTER BOROUGH
Population by Age
 1990 to 2010

	1990		2000		2010		Change 1990 -2010	
	#	%	#	%	#	%	#	%
Under 18	2,568	14.2	2,389	13.4	2,202	11.9	-366	-14.3
18-64	13,642	75.6	13,861	77.6	14,839	80.4	1,197	8.8
65 & over	1,831	10.1	1,611	9.0	1,420	7.7	-411	-22.4
Total Population	18,041		17,861		18,461		420	-27.9

Graph 2-2
 WEST CHESTER BOROUGH
Population by Age
 1990 to 2010



Housing Units

A significant number of housing units in West Chester Borough — approximately 60 percent — are renter occupied, compared to only about one-third of units that are owner occupied. In comparison, less than a quarter of housing units in Chester County are renter occupied while over 70 percent are owner occupied. In addition, the number of individuals living in noninstitutionalized group quarters (a category that includes college dormitories), was significantly higher in West Chester (3,687 or 20 percent of total population in 2010) compared to Chester County (9,303 or 1.9 percent of total population in 2010). The high percentage of rentals and amount in group quarters likely reflects the impact of West Chester University on the

Borough’s housing situation. The total number of housing units in West Chester has grown slightly from 1990 to 2010, increasing by 305 units or 4.7 percent. The number of owner occupied units declined by 8.6 percent during that time period, while the amount of renter occupied units rose by 11.7 percent. Vacant units grew by 23.1 percent but still represent only 6.3 percent of total units. (See Tables 2-4, 2-5 and 2-6 and Graphs 2-3 and 2-4)

Table 2-4
 WEST CHESTER BOROUGH
Owner, Renter, Vacant and Total Housing
 1990 to 2010

	<u>1990</u>		<u>2000</u>		<u>2010</u>		<u>Change 1990-2010</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Owner Occupied	2,405	37.2	2,331	35.6	2,198	32.5	-207	-8.6
Renter Occupied	3,705	57.4	3,934	60.1	4,137	61.2	432	11.7
Total Occupied	6,110	94.6	6,265	95.8	6,335	93.7	225	3.7
Vacant	347	5.4	276	4.2	427	6.3	80	23.1
Total Units	6,457	100.0	6,541	100.0	6,762	100.0	305	4.7

Graph 2-3
 WEST CHESTER BOROUGH
Total Housing Units
Owner, Renter and Vacant Housing
 1990 to 2010

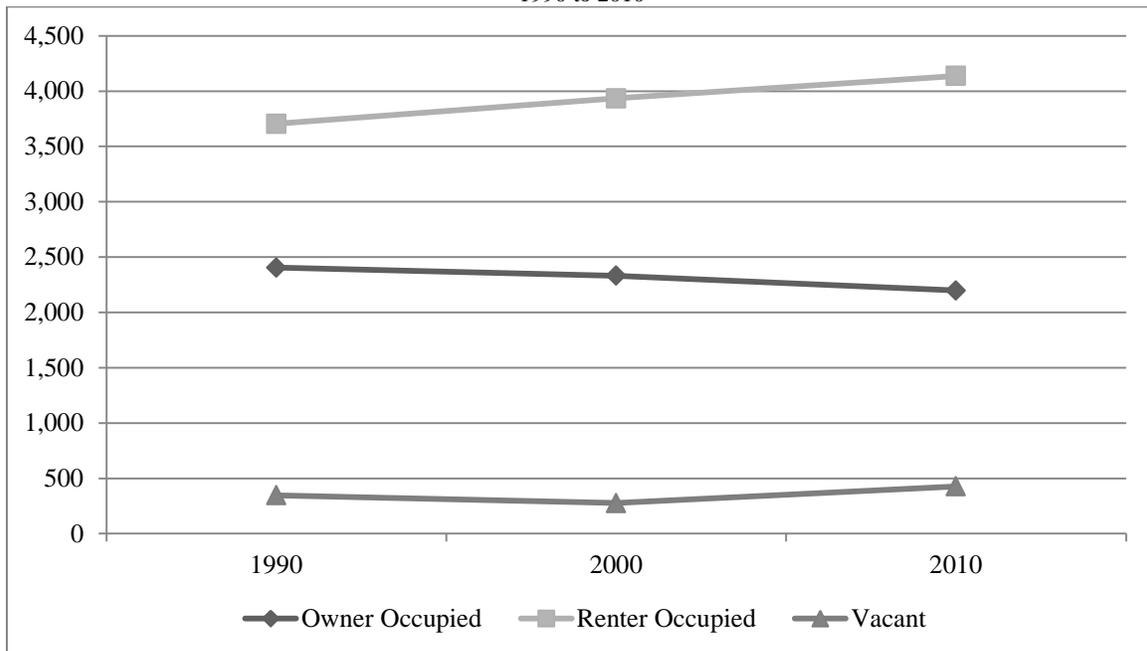


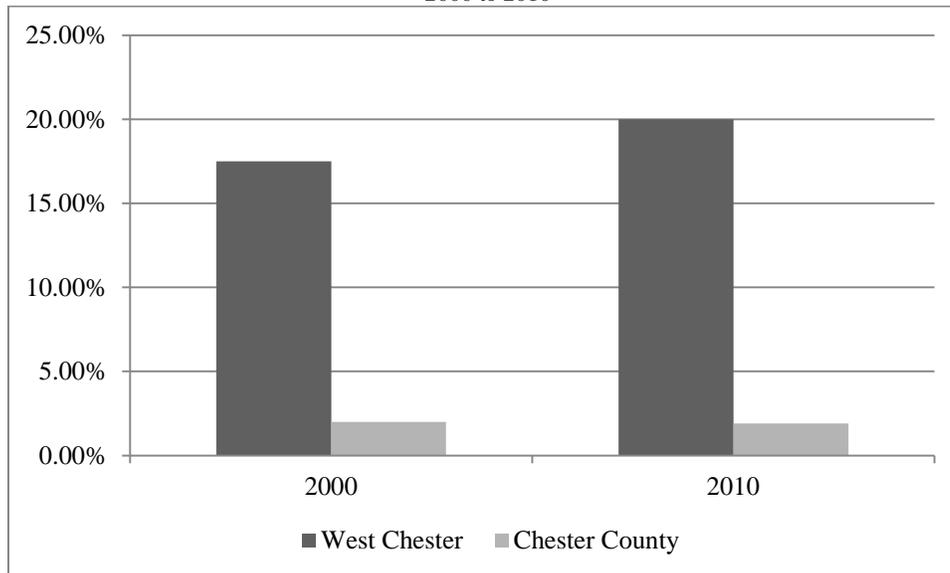
Table 2-5
 CHESTER COUNTY
Owner, Renter, Vacant and Total Housing
 1990 to 2010

	1990		2000		2010		Change 1990-2010	
	#	%	#	%	#	%	#	%
Owner Occupied	99,333	71.2	120,428	73.5	139,328	72.4	39,995	40.3
Renter Occupied	33,924	24.3	37,477	22.9	43,572	22.6	9,648	28.4
Total Occupied	133,257	95.5	157,905	96.4	182,900	95.0	49,643	37.3
Vacant	6,340	4.5	5,868	3.6	9,562	5.0	3,222	50.8
Total Units	139,597	100.0	163,773	100.0	192,462	100.0	52,865	37.9

Table 2-6
 WEST CHESTER BOROUGH
Noninstitutionalized Group Quarters (Includes College Dormitories)
 2000 to 2010

	2000		2010	
	#	%	#	%
West Chester	3,123	17.5	3,687	20.0
Chester County	8,822	2.0	9,303	1.9

Graph 2-4
 WEST CHESTER BOROUGH
Noninstitutionalized Group Quarters (Includes College Dormitories)
 2000 to 2010

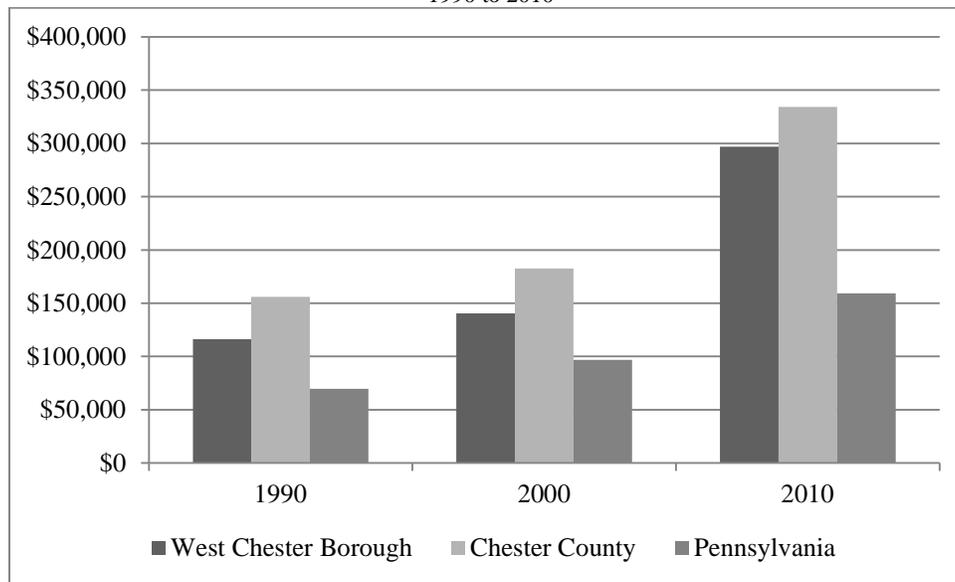


The Borough’s median value of an owner-occupied house rose from \$116,300 in 1990 to \$296,800 in 2010, an increase of \$180,500. West Chester’s median housing value was consistently below Chester County but above that of Pennsylvania as a whole. West Chester’s percentage increase in median value (155 percent) during that time period was above both Chester County (114 percent) and Pennsylvania (128 percent). (See Table 2-7 and Graph 2-4.)

Table 2-7
WEST CHESTER BOROUGH
Median Value of Owner Occupied House
 1990 to 2010

	1990	2000	2010	Change 1990 - 2010	
				\$	%
West Chester Borough	\$116,300	\$140,400	\$296,800	180,500	155.2
Chester County	\$155,900	\$182,500	\$334,300	178,400	114.4
Pennsylvania	\$69,700	\$97,000	\$159,300	89,600	128.6

Graph 2-5
WEST CHESTER BOROUGH
Median Value of Owner Occupied House
Compared to Chester County and Pennsylvania
 1990 to 2010



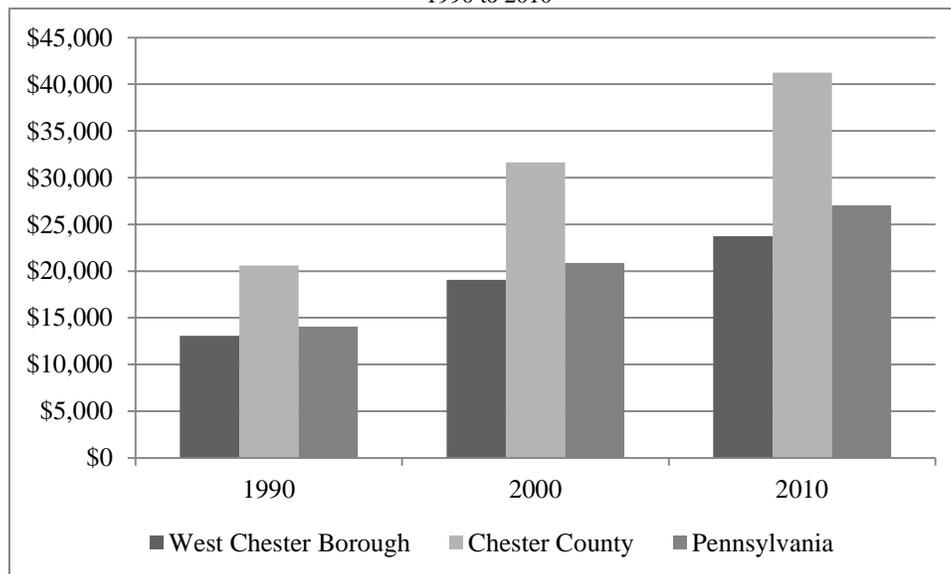
Income Measures

West Chester’s per capita income was lower than that of both Chester County and Pennsylvania from 1990 to 2010. Median per capita income increased by \$10,660 or 81.5 percent, from \$13,082 in 1990 to \$23,742 in 2010. Meanwhile, Chester County’s per capita income rose to \$41,251, an increase of \$20,650 or 100.2 percent, and Pennsylvania’s grew to \$27,049, an increase of \$12,981 or 92.3 percent. (See Table 2-8 and Graph 2-5)

Table 2-8
 WEST CHESTER BOROUGH
Per Capita Income
 1990 to 2010

	1990	2000	2010	Change 1990 - 2010	
				\$	%
West Chester Borough	\$13,082	\$19,073	\$23,742	10,660	81.5
Chester County	\$20,601	\$31,627	\$41,251	20,650	100.2
Pennsylvania	\$14,068	\$20,880	\$27,049	12,981	92.3

Graph 2-6
 WEST CHESTER BOROUGH
Per Capita Income
Compared to Chester County and Pennsylvania
 1990 to 2010

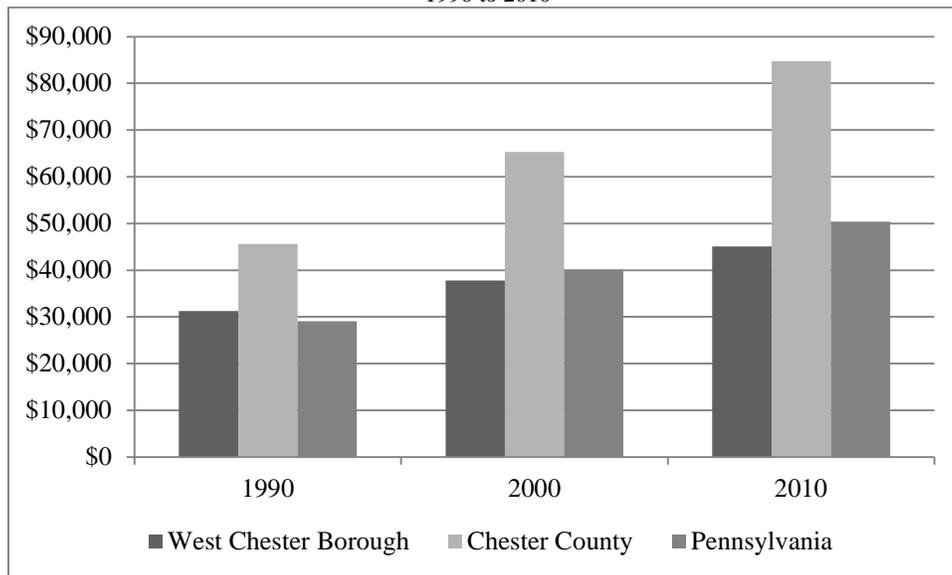


Median household income in West Chester Borough increased from \$31,262 in 1990 to \$45,052 in 2010, a growth of \$13,790 or 44.1 percent. During the same period, median household income in Chester County rose from \$45,642 to \$84,741, an 86 percent increase. For Pennsylvania, median household income grew from \$29,069 to \$50,398 in 2010 or 73 percent. (See Table 2-9 and Graph 2-7)

Table 2-9
 WEST CHESTER BOROUGH
Median Household Income
 1990 to 2010

	1990	2000	2010	Change 1990-2010	
				\$	%
West Chester Borough	\$31,262	\$37,803	\$45,052	13,790	44.1
Chester County	\$45,642	\$65,295	\$84,741	39,099	85.7
Pennsylvania	\$29,069	\$40,106	\$50,398	21,329	73.4

Graph 2-7
 WEST CHESTER BOROUGH
Median Household Income
 Compared to Chester County and Pennsylvania
 1990 to 2010



CHAPTER 3
HISTORICAL REVIEW OF WEST CHESTER BOROUGH FINANCES
2012 to 2016
2017 ESTIMATED TO BUDGET

Introduction

During the historical review, the Borough began to experience growing annual deficits that peaked at almost \$3.4 million in 2016. In addition, the Borough moved all General Fund revenue and expenditures for recreation, fire and parking violations to their own funds as of 2016. The Borough also moved Social Security and health insurance expenditures from the employee benefits category to the appropriate Borough departments. This made it difficult to directly compare General Fund revenues and expenditures in 2012 to 2016, so recreation, fire and parking revenues and expenditures were removed from the General Fund for the entire historical period. Once the adjustments were made, the General Fund showed a decline in revenues of \$350,000 and an increase in expenditures of almost \$3.1 million from 2012 to 2016. The adjusted General Fund deficits are somewhat different, with the 2016 deficit falling slightly from \$3.4 million to \$3.3 million.

On the revenue side, tax revenue grew approximately 11 percent from 2012 to 2016, with the largest increase in the Earned Income Tax. Non-tax revenue and the amounts that the Borough transferred into the General Fund from other funds declined. As a result, the proportion of tax revenue as a percentage of total revenues increased from 45 percent to 65 percent.

Regarding expenditures, the largest departmental spending is for the Police Department, followed by public works and administration. Pension experienced the most growth in terms of personnel and non-personnel costs, rising by almost \$1.3 million or 95 percent. Expenditures for pension grew from \$1.3 million in 2012 to \$2.6 million in 2016, based on the Borough's 2016 pension financial statement compiled by the Mockenhaupt Benefits Group. In addition, according to the Mockenhaupt statement, the Borough did not pay its full Minimum Municipal Obligation (MMO) for the police pension and the non-uniform pension in 2012, 2013 and 2016. In 2016, the full MMO was not paid on a timely basis because of a clerical error when transferring state pension aid from the General Fund to the Pension Fund. This situation was corrected in March 2017. Chapters 5 and 6 in this report also address the Borough's pension situation, which a 2016 Standard and Poor's report referred to as "a large pension and OPEB

(Other Post-Employment Benefits) obligation and lack of a plan.” However, Borough Council in 2018 approved the use of any net “revenue carryover” funds to pay down OPEB.

This chapter focuses on the Borough’s General Fund, but a historical review of Borough debt and other Borough funds is also included.

Methodology

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

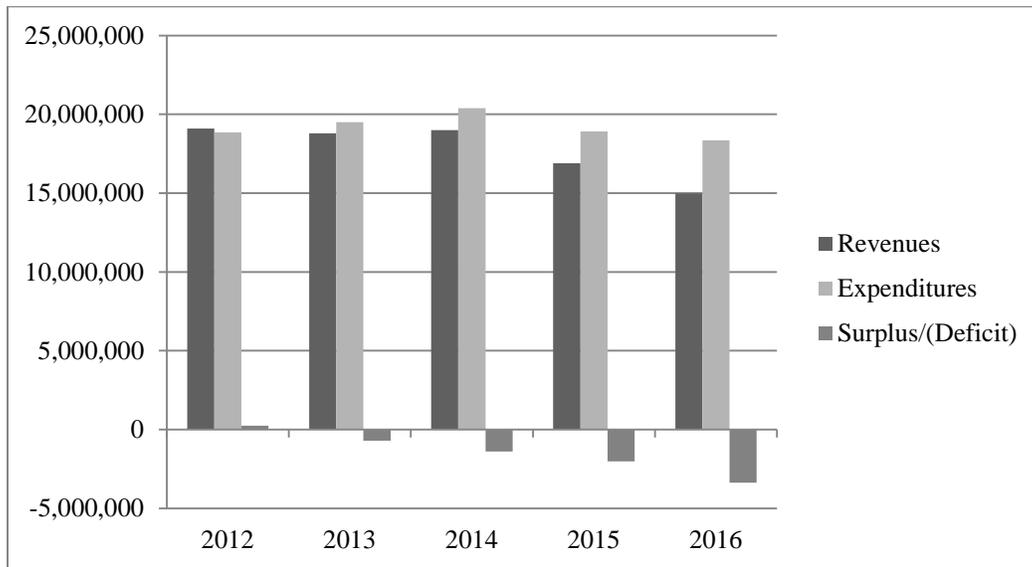
2012 - 2016 General Fund Revenues and Expenditures

Following a \$240,773 surplus in 2012, the Borough experienced annual deficits in the General Fund from 2013 through 2016 ranging from a low of \$701,524 in 2013 to a high of almost \$3.4 million in 2016. (See Table 3-1 and Graph 3-1.)

Table 3-1
 WEST CHESTER BOROUGH
General Fund Revenues, Expenditures and Surplus/(Deficit)
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	#
Revenues	\$19,097,981	\$18,798,419	\$18,998,891	\$16,895,482	\$14,989,458	-4,108,523	-21.5
Expenditures	18,857,208	19,499,942	20,393,477	18,917,486	18,361,877	-495,331	-2.6
Surplus/(Deficit)	\$240,773	-\$701,524	-\$1,394,586	-\$2,022,005	-\$3,372,420		

Graph 3-1
 WEST CHESTER BOROUGH
General Fund Revenues, Expenditures and Surplus/(Deficit)
 2012 to 2016



In 2015, the Borough began to move parking violation revenue and related expenditures to the Parking Fund, completing that change in 2016. In addition, recreation revenue and expenditures were moved to the Recreation Fund in 2016, and fire revenue and expenditures were moved to the Fire Fund the same year. Meanwhile, the Borough did not seek a Tax and Revenue Anticipation Note (TRAN) in 2015 or 2016 since it was noted needed and resulted in significant borrowing costs. As a result, the 2016 revenues and expenditures, and to some extent the 2015 revenues and expenditures, are significantly lower than the first three years of the historical review.

If parking, recreation, fire and TRAN revenues and expenditures are removed for all five years of the historical review period, the surplus/deficit position changes somewhat. For 2012, the Borough’s surplus drops from \$240,773 to \$120,473. Adjusted deficits for 2013 and 2014 are higher and adjusted deficits for 2015 and 2016 are lower when parking, recreation, fire and TRAN revenues and expenditures removed. Adjusted revenues fell by 2.3 percent or \$350,505 from 2012 to 2016. Adjusted expenditures increased by \$3.0 million or 20.1 percent, in part due to annual contractual raises, increases in benefit costs and changes to pension. (See Table 3-2.)

Table 3-2
WEST CHESTER BOROUGH
Adjusted General Fund Revenues, Expenditures and Surplus/(Deficit)
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012-2016	
	Actual	Actual	Actual	Actual	Actual	#	%
Revenues	\$19,097,981	\$18,798,419	\$18,998,891	\$16,895,482	\$14,989,458	-4,108,523	-21.5
Parking Violations	-1,516,469	-1,335,117	-1,197,163	-602,438	0	1,516,469	-100.0
Recreation	-494,399	-499,312	-505,295	-603,514	0	494,399	-100.0
Fire	-647,149	-669,273	-942,364	-801,030	0	647,149	-100.0
TRAN	<u>-1,100,000</u>	<u>-1,400,000</u>	<u>-1,400,000</u>	<u>0</u>	<u>0</u>	<u>1,100,000</u>	<u>-100.0</u>
Net Revenues	\$15,339,963	\$14,894,717	\$14,954,069	\$14,888,499	\$14,989,458	-350,505	-2.3
	Percent of Total						
Expenditures	\$18,857,208	\$19,499,942	\$20,393,477	\$18,917,486	\$18,361,877	-495,331	-2.6
Parking Exp	-644,663	-633,111	-706,837	-866	0	644,663	-100.0
Recreation	-764,935	-716,933	-713,625	-1,054,800	-80,749	684,186	-89.4
Fire	-1,128,120	-877,842	-669,606	-1,914,418	0	1,128,120	-100.0
TRAN	<u>-1,100,000</u>	<u>-1,400,000</u>	<u>-1,400,000</u>	<u>0</u>	<u>0</u>	<u>1,100,000</u>	<u>-100.0</u>
Net Expenditures	\$15,219,490	\$15,872,056	\$16,903,410	\$15,947,403	\$18,281,128	3,061,638	20.1
Net Surplus/(Deficit)	\$120,473	-\$977,339	-\$1,949,341	-\$1,058,903	-\$3,291,670		

Note: In the above table, PEL was unable to determine employee benefit costs that might have been associated with parking, recreation and fire. The remainder of the historical review chapter includes the parking, recreation, fire and TRAN revenues and expenditures in the General Fund for 2012 through 2016 as recorded.

Revenue Components

The Borough receives the majority of its General Fund revenue from taxes, ranging from 46 percent to 64.7 percent of total revenues from 2012 to 2016. Tax revenue rose from almost \$8.8 million in 2012 to \$9.7 million in 2016, an increase of \$942,267 or 10.8 percent.

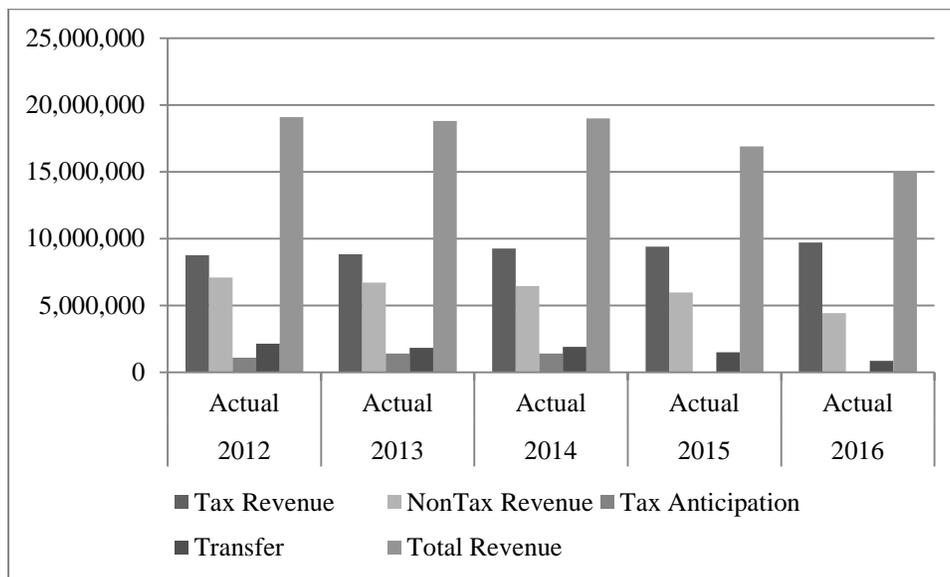
Non-tax revenue accounts for an average one-third of total revenues. Because the Borough removed parking, recreation and fire tax revenue in the latter part of the historical review period as outlined previously, non-tax revenue fell by \$2.7 million or 37.6 percent. Similarly, as explained earlier, the Borough did not obtain a TRAN in 2015 or 2016.

Transfers into the General Fund were made from the Wastewater Fund (\$906,916 in 2012, \$567,082 in 2013, \$916,345 in 2014, and \$855,990 in 2016), Highway Aid Fund (\$76,000 from 2012 through 2015), Parking Fund (\$1.1 million in 2012, \$1.1 million in 2013, \$916,345 in 2014 and \$1.4 million in 2015), and Capital Reserve Fund (\$41,618 in 2012 and \$41,117 in 2013). In 2016, the Highway Aid Fund was converted to a project-based fund and used only to pay outside contractors. The \$76,000 annual transfer to the Highway Aid Fund was ended as a result since the money was to reimburse public works salary costs. The Capital Reserve Fund holds the remaining proceeds from the \$18 million sale of the Borough's water system in 1998. The money from the fund was used to offset Borough deficits until 2014, when the practice ended. Total General Fund revenue for 2016 also declined in part because of the reduction in money transferred from other funds. (See Table 3-3 and Graph 3-2.)

Table 3-3
 WEST CHESTER BOROUGH
General Fund Total Revenues
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Tax Revenue	\$8,759,948	\$8,840,604	\$9,251,206	\$9,399,417	\$9,702,215	942,267	10.8
Nontax Revenue	7,103,804	6,723,921	6,438,995	5,986,065	4,431,253	-2,672,551	-37.6
Tax Anticipation	1,100,000	1,400,000	1,400,000	0	0	-1,100,000	-100.0
Transfer	2,134,229	1,833,894	1,908,690	1,510,000	855,990	-1,278,239	-59.9
Total Revenue	\$19,097,981	\$18,798,419	\$18,998,891	\$16,895,482	\$14,989,458	-4,108,523	-21.5
Percent of Total Revenue							
Tax Revenue	45.9	47.0	48.7	55.6	64.7		
Nontax Revenue	37.2	35.8	33.9	35.4	29.6		
Tax Anticipation	5.8	7.4	7.4	0.0	0.0		
Transfer	<u>11.2</u>	<u>9.8</u>	<u>10.0</u>	<u>8.9</u>	<u>5.7</u>		
Total Revenue	100.0	100.0	100.0	100.0	100.0		

Graphic 3-2
 WEST CHESTER BOROUGH
General Fund Total Revenues
 2012 to 2016



Real Estate Market Value and Assessed Value

Despite a 182.1 percent rise in the Borough's market value from 2001 to 2016 as estimated by the State Tax Equalization Board (STEB), Chester County's assessed value for the Borough increased by only 18.7 percent during that time period. The Borough's ratio of assessed value to STEB market value steadily declined from 112.1 percent in 2001 to 47.2 percent in 2016. As a result, the Borough was unable to capture market value growth that might have resulted in increased real estate tax revenue. STEB market value showed significant increases in individual years that were not reflected in assessment growth. For instance, STEB market value increased by 22.1 percent in 2006 and 22.3 percent in 2008, while assessed value grew by only 1.7 percent and 0.8 percent, respectively. Chester County last underwent a full reassessment in 1998. Approximately 50 percent of the Borough's assessed value is considered non-profit and hence exempt from local property taxes¹. (See Table 3-4.)

¹ 2016 Borough of West Chester Audit

Table 3-4
 WEST CHESTER BOROUGH
Market Value and Assessed Value
 2001 to 2015

	Market Value	Change	% Change	Assessed Value	Change	% Change	Ratio of Assessed To Market Value
2001	\$538,823,500			\$604,102,060			112.1%
2002	594,366,100	55,542,600	10.3	606,208,820	2,106,760	0.3	102.0%
2003	601,849,200	7,483,100	1.3	612,068,690	5,859,870	1.0	101.7%
2004	686,798,400	84,949,200	14.1	615,449,180	3,380,490	0.6	89.6%
2005	700,613,300	13,814,900	2.0	624,065,900	8,616,720	1.4	89.1%
2006	855,595,700	154,982,400	22.1	634,605,430	10,539,530	1.7	74.2%
2007	857,273,200	1,677,500	0.2	634,594,560	-10,870	0.0	74.0%
2008	1,048,803,808	191,530,608	22.3	639,488,680	4,894,120	0.8	61.0%
2009	1,057,217,595	8,413,787	0.8	643,038,290	3,549,610	0.6	60.8%
2010	1,196,477,127	139,259,531	13.2	649,249,450	6,211,160	1.0	54.3%
2011	1,211,468,666	14,991,539	1.3	656,042,220	6,792,770	1.0	54.2%
2012	1,351,845,502	140,376,836	11.6	682,467,120	26,424,900	4.0	50.5%
2013	1,367,264,746	15,419,244	1.1	690,463,140	7,996,020	1.2	50.5%
2014	1,416,783,104	49,518,359	3.6	696,520,670	6,057,530	0.9	49.2%
2015	1,442,164,765	25,381,661	1.8	708,052,445	11,531,775	1.7	49.1%
2016	1,520,259,781	78,095,016	5.4	716,893,565	8,841,120	1.2	47.2%
Change 2001 - 2016		\$981,436,281	182.1		\$112,791,505	18.7	

Real Estate Taxes

Real estate taxes are the Borough’s largest source of revenue, averaging over 50 percent of General Fund total taxes annually throughout the historical review period. As of 2016, the Borough levied real property millages for general purpose, 6.34 mills; debt service, 0.47 mills; and library, 0.15 mills for a total of 6.96 mills.

General purpose millage was 5.66 mills from 2012 through 2013. In 2014, general purpose millage was increased to 5.86 mills, and in 2015 to 6.34 mills. The debt service millage declined from 1.16 mills in 2012 to 0.47 mills in 2015. Library millage was 0.14 mills in 2012 and then increased to 0.15 mills in 2013.

Total real estate revenue remained relatively flat, averaging \$4.9 million throughout the period. The change from 2012 to 2016 was an increase of \$95,340 or 2.0 percent. (See Table 3-5.)

Table 3-5
 WEST CHESTER BOROUGH
General Fund Total Tax Revenue by Source
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Real Estate Tax	\$4,851,928	\$4,799,350	\$4,930,302	\$5,025,814	\$4,947,268	95,340	2.0
Earned Income	2,772,762	2,839,996	3,080,042	3,137,762	3,478,210	705,448	25.4
Real Estate Transfer	437,403	444,367	470,957	428,969	547,090	109,687	25.1
LST	541,440	585,966	611,863	640,452	629,461	88,021	16.3
Amusement Tax	0	1,200	1,400	0	2,000	2,000	100.0
Business Privilege Tax	156,414	169,725	156,641	166,421	98,186	-58,229	-37.2
Total Taxes	\$8,759,948	\$8,840,604	\$9,251,206	\$9,399,417	\$9,702,215	942,267	10.8
<u>Percent of Total Taxes</u>							
Real Estate Tax	55.4	54.3	53.3	53.5	51.0		
Earned Income	31.7	32.1	33.3	33.4	35.8		
Real Estate Transfer	5.0	5.0	5.1	4.6	5.6		
LST	6.2	6.6	6.6	6.8	6.5		
Amusement Tax	0.0	0.0	0.0	0.0	0.0		
Business Privilege Tax	1.8	1.9	1.7	1.8	1.0		
Total Taxes	100.0	100.0	100.0	100.0	100.0		

Act 511 Taxes

The Borough levies a 1.0 percent Earned Income Tax (EIT), which is evenly split with the West Chester Area School District, leaving the Borough with an actual collection of 0.5 percent of EIT. The Borough levies a \$52 Local Services Tax (LST), of which the Borough receives \$47. The Borough also charges a 0.5 percent realty transfer tax, a \$150 mercantile/business privilege tax, and a \$200 mechanical devices tax. EIT is the Borough’s second most productive tax, averaging approximately one-third of General Fund total taxes. EIT grew from \$2.8 million in 2012 to \$3.5 million in 2016. The EIT change from 2012 to 2016 was an increase of \$705,448 or 25.4 percent.

The LST accounts for about 6.5 percent of General Fund total taxes. LST grew fairly steadily from \$541,440 in 2012 to \$629,461 in 2016, an increase of \$88,021 or 16.3 percent. The realty transfer tax, which is dependent on local real estate sales, rose from \$437,403 in 2012 to \$547,090 in 2016, an increase of \$109,687 or 25.1 percent.

Non-Tax Revenue

The Borough's main sources of non-tax revenue are fines and forfeits, local intergovernmental grants, licenses and permits, state pension and recreation. Fines and forfeits included parking violation revenue until 2015 when the Borough started moving those revenues to the Parking Fund. That accounts for the large decrease in that category, which fell by \$1.5 million or 67.9 percent from 2012 to 2016. However, parking violation revenue also declined from \$1.4 million in 2012 to \$1.1 million in 2014. Ordinance violation revenue, which varied from \$783,086 to \$628,543 annually, makes up the remainder of the fines and forfeits category. This category was also impacted by new meter technology, which reduced the incidence of fines. Local intergovernmental funds declined from 2012 to 2016; however, the main revenue source in this category — funds the Borough receives from East Bradford Township for police protection — rose from \$1.1 million in 2012 to \$1.2 million in 2016. State aid that the Borough receives for fire protection was also recorded in this category until 2016 when it was moved to the Fire Fund, which accounts at least in part for the decline. In 2016, the local intergovernmental category also included a \$250,000 grant for the historic Barclay Grounds. Other local intergovernmental revenue includes reimbursements for police service costs at various events and contract revenue from neighboring communities for fire protection. The major sources of revenue in the licenses and permits category are building permits and registration fees for rental properties. Licenses and permits varied from a low of \$620,666 in 2015 to a high of \$1.3 million in 2013 when the Borough received permit revenue for a new parking garage. Recreation revenue from fees and for program scholarships grew from \$494,399 in 2012 to \$603,514 in 2015, and then was moved to the Recreation Fund in 2016. Charges for services in 2016 includes cable and Verizon cell tower revenue of \$349,184. (See Table 3-6.)

Table 3-6
 WEST CHESTER BOROUGH
General Fund Total Non-Tax Revenues
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Fines/Forfeits /Cost	\$2,253,129	\$2,077,342	\$1,980,250	\$1,230,981	\$723,691	-1,529,438	-67.9
Interest/Rents/ Royalties	1,008	1,351	1,518	2,476	17,904	16,896	1,677
Licenses /Permits	736,345	1,265,511	960,430	620,666	669,382	-66,963	-9.1
Charge for Services	0	0	0	0	523,792	523,792	100.0
Employee contribution	0	0	0	0	2,148	2,148	100.0
Local Intergovernmental	1,753,377	1,696,706	2,057,066	1,932,912	1,543,907	-209,470	-11.9
State Intergovernmental	0	0	0	41,421	3,568	3,568	100.0
State/Local Intergovernmental	180,499	126,244	70,175	670,051	20,529	-159,970	-88.6
State Pension	675,885	710,838	693,210	705,750	779,573	103,688	15.3
State Foreign Fire	119,885	142,009	134,816	130,801	0	-119,885	-100.0
Miscellaneous	872,481	180,288	6,176	21,657	978	-871,503	-99.9
PILOTs	0	0	0	0	40,571	40,571	100.0
PURTA	0	0	0	0	10,075	10,075	100.0
Refuse	16,796	24,320	30,059	20,835	14,484	-2,312	-13.8
Recreation	494,399	499,312	505,295	603,514	0	-494,399	-100.0
Refunds/Reimbursements	0	0	0	5,000	80,651	80,651	100.0
Total Non-Tax Revenue	\$7,103,804	\$6,723,921	\$6,438,995	\$5,986,065	\$4,431,253	-2,672,551	-37.6
Fines/Forfeits /Cost	31.7	30.9	30.8	20.6	16.3		
Interest/Rents/ Royalties	0.0	0.0	0.0	0.0	0.4		
Licenses /Permits	10.4	18.8	14.9	10.4	15.1		
Charge for Services	0.0	0.0	0.0	0.0	11.8		
Employee contribution	0.0	0.0	0.0	0.0	0.0		
Local Intergovernmental	24.7	25.2	31.9	32.3	34.8		
State Intergovernmental	0.0	0.0	0.0	0.7	0.1		
State/Local Intergovernmental	2.5	1.9	1.1	11.2	0.5		
State Pension	9.5	10.6	10.8	11.8	17.6		
State Foreign Fire	1.7	2.1	2.1	2.2	0.0		
Miscellaneous	12.3	2.7	0.1	0.4	0.0		
PILOTs	0.0	0.0	0.0	0.0	0.9		
PURTA	0.0	0.0	0.0	0.0	0.2		
Refuse	0.2	0.4	0.5	0.3	0.3		
Recreation	7.0	7.4	7.8	10.1	0.0		
Refunds/Reimbursements	0.0	0.0	0.0	0.1	1.8		
Total Non-Tax Revenue	100.0	100.0	100.0	100.0	100.0		

Expenditures

Personnel versus Non-Personnel

Personnel expenditures account for approximately 70 percent of total expenditures while non-personnel costs averaged 22 percent of total expenditures during the historical review period. Personnel varied throughout the historical review period, rising from almost \$12.9 million in 2012 to \$14.1 million in 2014. Employee-related costs then fell to \$13.1 million in 2015, increasing to almost \$13.9 million in 2016. The change from 2012 to 2016 was a growth of \$1.0 million or 8.1 percent. Non-personnel expenditures ultimately dropped from \$4.0 million in 2012 to \$3.1 million in 2016, a decrease of \$916,613 or 22.8 percent. Transfers were made to the Capital Improvement Fund in 2012 (\$147,888) and 2014 (\$213,640) and to the Recreation Fund in 2016 (\$125,416 and \$151,318). Debt service payments included payments on fire trucks, the new Borough building, the library loan and a public works truck. Depreciation amounts were recorded in 2016 for police (\$150,841), buildings (\$5,247), information technology (\$1,017), public works (\$754,582), and administration (\$161,918). These amounts were added on paper to the fund balance as a “capital reserve” for future expenditures. (See Table 3-7.)

Table 3-7
 WEST CHESTER BOROUGH
General Fund Personnel versus Non-Personnel Expenditures
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016		
Type	Actual	Actual	Actual	Actual	Actual	\$	%	
Personnel	\$12,851,454	\$13,485,248	\$14,123,476	\$13,164,074	\$13,890,412	1,038,958	8.1	
Non-Personnel	4,018,465	3,877,416	3,961,026	5,370,858	3,101,853	-916,613	-22.8	
Transfer	147,888	-27	213,640	0	276,734	128,846	87.1	
TRAN	1,127,118	1,415,190	1,414,659	13,316	0	-1,127,118	-100.0	
Debt Service	712,282	722,116	680,676	369,239	19,273	-693,009	-97.3	
Depreciation	0	0	0	0	1,073,605	1,073,605	0.0	
Total Expenditures	\$18,857,208	\$19,499,942	\$20,393,477	\$18,917,486	\$18,361,877	-495,331	-2.6	
Type	Percentage of Total Expenditures							
Personnel	68.2	69.2	69.3	69.6	75.6			
Non-Personnel	21.3	19.9	19.4	28.4	16.9			
Transfer	0.8	0.0	1.0	0.0	1.5			
TRAN	6.0	7.3	6.9	0.1	0.0			
Debt Service	3.8	3.7	3.3	2.0	0.1			
Capital Reserve	0.0	0.0	0.0	0.0	5.8			
Total Expenditures	100.0	100.0	100.0	100.0	100.0			

Personnel

The majority of the Borough's day-to-day expenses are related to personnel including salaries and wages (60.2 percent to 63.4 percent of total), medical (13.9 percent to 20.2 percent of total) and pension (10.3 percent to 18.5 percent). Salaries and wages declined from \$8.1 million in 2012 to \$7.7 million in 2016, a decrease of \$433,317 or 5.3 percent. Medical costs also declined, falling from \$2.5 million in 2012 to \$1.9 million in 2016. The change from 2012 to 2016 was a drop of \$665,261 or 25.7 percent. The decline for both categories is largely the result of moving certain expenditures to the Parking, Recreation and Fire Funds in 2016 in order to provide for easier review. In general, salary and wages for Borough employees grew by 3 percent from 2012 to 2016 with additional increases in benefits². Pension expenditures in the General Fund have been adjusted to conform to the audited numbers. Pension payments rose from \$1.3 million in 2012 to almost \$2.6 million in 2016, a growth of almost \$1.3 million or 94.3 percent. However, according to the Mockenhaupt Benefits Group 2016 pension financial statements, the Borough did not pay its full Minimum Municipal Obligation (MMO) for the police pension and the non-uniform pension in 2012, 2013 and 2016. As previously noted, the late 2016 payment was due to a clerical error. In addition, the Borough paid slightly more than the MMO for the non-uniform pension in 2015. Workers compensation grew from \$376,339 in 2012 to \$664,538 in 2016, an increase of \$288,199 or 76.6 percent. Overtime and court time were recorded in the individual departments until 2016. (See Table 3-8.)

² As reported by the Borough Finance Director.

Table 3-8
 WEST CHESTER BOROUGH
General Fund Personnel Expenditures
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
Type	Actual	Actual	Actual	Actual	Actual	\$	%
Salary & Wages	\$8,149,729	\$8,115,367	\$8,643,756	\$7,876,271	\$7,716,412	-433,317	-5.3
Overtime	0	0	0	0	613,864	613,864	0.0
Court Time	0	0	0	0	27,656	27,656	0.0
Social Security	352,839	339,044	370,347	327,360	314,531	-38,308	-10.9
Medical	2,590,094	2,667,428	2,273,365	1,818,222	1,924,832	-665,261	-25.7
Pension	1,325,712	1,846,661	2,300,394	2,507,485	2,576,092	1,250,380	94.3
Workers Comp	376,339	470,807	495,097	591,264	664,538	288,199	76.6
Uniform	56,742	45,940	40,518	43,471	52,486	-4,256	-7.5
Total	\$12,851,454	\$13,485,248	\$14,123,476	\$13,164,074	\$13,890,412	1,038,958	8.1
Percent of Total Employee Expenditures							
Salary & Wages	63.4	60.2	61.2	59.8	55.6		
Overtime	0.0	0.0	0.0	0.0	4.4		
Court Time	0.0	0.0	0.0	0.0	0.2		
Social Security	2.7	2.5	2.6	2.5	2.3		
Medical	20.2	19.8	16.1	13.8	13.9		
Pension	10.3	13.7	16.3	19.0	18.5		
Workers Comp	2.9	3.5	3.5	4.5	4.8		
Uniform	0.4	0.3	0.3	0.3	0.4		
Total	100.0	100.0	100.0	100.0	100.0		

Non-Personnel

The miscellaneous category includes various expenditures in administration, public works and police. The category increased from \$918,429 in 2012 to \$1.1 million in 2014, and then fell to \$226,725 in 2016. The change from 2012 to 2016 was a decline of \$691,704 or 75.3 percent. The Borough has lessened use of the miscellaneous category because of difficulties in tracking expenditures³. Repairs and maintenance includes costs for police equipment, street light maintenance, parks repairs, storm drain materials and public works equipment and repairs. This category also dropped, falling from \$759,650 in 2012 to \$433,573 in 2016, a decline of \$326,077 or 42.9 percent. The decline was the result of moving fire repairs and maintenance expenditures to the Fire Fund. Similarly, the vehicle fuel category declined in 2016 as much of those costs were moved to the Fire Fund, as was the Foreign Fire category. Program expense recorded costs for recreation, which were moved to the Recreation Fund in 2016. From 2012 to 2015,

³ According to the Borough Finance Director

expenditures in program expense decreased from \$334,264 to \$235,291. Capital expense in 2015 includes \$634,418 for police and almost \$1.1 million new fire vehicles (bond funded). Capital expenses are now in the Equipment and Technology Fund and the Capital Improvement Fund. For the most part, all other items are 5 percent or less of non-personnel expenditures. (See Table 3-9.)

Table 3-9
 WEST CHESTER BOROUGH
General Fund Non-Personnel Expenditures
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
Type	Actual	Actual	Actual	Actual	Actual	\$	%
Seminars/Training	\$0	\$0	\$0	\$0	\$23,937	23,937	0.0
Miscellaneous	918,429	958,968	1,060,808	439,094	226,725	-691,704	-75.3
Repairs & Maintenance	759,650	564,625	604,532	445,463	433,573	-326,077	-42.9
Program Expense	334,264	305,671	283,235	235,291	0	-334,264	-100.0
Utilities	289,921	293,288	297,132	269,483	311,341	21,419	7.4
Vehicle Fuel	285,270	262,624	241,175	190,101	91,636	-193,634	-67.9
Disposal Costs	185,544	186,141	176,082	208,262	185,206	-337	-0.2
Library	125,624	121,362	127,982	132,484	108,685	-16,939	-13.5
Foreign Fire	119,885	142,009	134,816	130,801	0	-119,885	-100.0
Insurance	118,283	105,690	85,840	18,334	483,349	365,066	308.6
Contracted Services	116,404	85,712	147,158	155,769	378,005	261,600	224.7
Legal Fees	73,424	56,383	108,549	234,255	121,313	47,889	65.2
Office Supplies	36,130	53,875	57,558	50,305	44,251	8,120	22.5
Tools	35,698	11,324	14,078	24,800	15,554	-20,144	-56.4
Minor Equipment	22,994	27,061	23,913	17,037	24,854	1,860	8.1
Postage/Printing	19,810	25,070	18,560	56,838	7,976	-11,834	-59.7
Materials & Supplies	17,806	23,345	23,008	21,350	16,318	-1,488	-8.4
Recycling	16,542	6,995	12,840	2,526	12,876	-3,666	-22.2
Memberships & Dues	12,673	11,748	17,413	18,938	10,752	-1,921	-15.2
Tax Collector	11,886	8,709	9,840	6,384	19,304	7,418	62.4
Advertising	0	0	0	59,873	23,282	23,282	0.0
Bank Fees	0	0	0	29,186	9,725	9,725	0.0
Computer Maintenance	77,608	130,909	89,901	136,722	94,571	16,963	21.9
IT Allocation	0	0	0	0	34,691	34,691	0.0
Payroll Processing	0	0	0	0	14,973	14,973	0.0
Professional Fees	0	0	0	367,045	210,621	210,621	0.0
Contributions	171,133	190,042	157,000	167,679	96,851	-74,282	-43.4
Shade Tree	136,630	146,678	132,159	144,372	101,485	-35,145	-25.7
Capital Expense	132,856	159,188	137,447	1,808,467	0	-132,856	-100.0
Non-Personnel Expenditures	\$4,018,465	\$3,877,416	\$3,961,026	\$5,370,858	\$3,101,853	-916,613	-22.8
Type	Percentage of Non-Personnel Expenditures						
Seminars/Training	0.0	0.0	0.0	0.0	0.8		
Miscellaneous	22.9	24.7	26.8	8.2	7.3		

	2012	2013	2014	2015	2016	Change 2012 - 2016	
Repairs & Maintenance	18.9	14.6	15.3	8.3	14.0		
Program Expense	8.3	7.9	7.2	4.4	0.0		
Utilities	7.2	7.6	7.5	5.0	10.0		
Vehicle Fuel	7.1	6.8	6.1	3.5	3.0		
Disposal Costs	4.6	4.8	4.4	3.9	6.0		
Library	3.1	3.1	3.2	2.5	3.5		
Foreign Fire	3.0	3.7	3.4	2.4	0.0		
Insurance	2.9	2.7	2.2	0.3	15.6		
Contracted Services	2.9	2.2	3.7	2.9	12.2		
Legal Fees	1.8	1.5	2.7	4.4	3.9		
Office Supplies	0.9	1.4	1.5	0.9	1.4		
Tools	0.9	0.3	0.4	0.5	0.5		
Minor Equipment	0.6	0.7	0.6	0.3	0.8		
Postage/Printing	0.5	0.6	0.5	1.1	0.3		
Materials & Supplies	0.4	0.6	0.6	0.4	0.5		
Recycling	0.4	0.2	0.3	0.0	0.4		
Memberships & Dues	0.3	0.3	0.4	0.4	0.3		
Tax Collector	0.3	0.2	0.2	0.1	0.6		
Advertising	0.0	0.0	0.0	1.1	0.8		
Bank Fees	0.0	0.0	0.0	0.5	0.3		
Computer Maintenance	1.9	3.4	2.3	2.5	3.0		
IT Allocation	0.0	0.0	0.0	0.0	1.1		
Payroll Processing	0.0	0.0	0.0	0.0	0.5		
Professional Fees	0.0	0.0	0.0	6.8	6.8		
Contributions	4.3	4.9	4.0	3.1	3.1		
Shade Tree	3.4	3.8	3.3	2.7	3.3		
Capital Expense	<u>3.3</u>	<u>4.1</u>	<u>3.5</u>	<u>33.7</u>	<u>0.0</u>		
Non-Personnel Expenditures	100.0	100.0	100.0	100.0	100.0		

General Department Expenditures

All Social Security and health insurance expenditures for the Borough were included in the employee benefits category prior to 2016. In 2016, employee benefit costs were distributed to the various Borough departments. This accounts for the large decline in the employee benefit category for 2016 and at least some of the departmental increases the same year. The Borough also included over \$1 million in depreciation as expenditures in the police, buildings, information technology, administration and public works categories as explained earlier in this chapter. In addition, as noted previously, fire, recreation and parking costs were moved to their own funds in 2015 and 2016, resulting in lower or no expenditures for those years. The Borough did not obtain a TRAN in either 2015 or 2016.

The Police Department accounts for the largest departmental expenditures, ranging from 28 percent to 42 percent of General Fund spending during the historical review period. The department experienced the largest absolute increase as well, growing from \$5.3 million in 2012 to \$7.7 million in 2016, an increase of almost \$2.5 million or 47 percent. The majority of expenditures are related to salary and wages. The increase from \$5.9 million in 2015 to \$7.7 million in 2016 is due at least in part to the movement of employee benefits to the Police Department expenditures and to setting aside a depreciation amount, as described previously. Public works saw a similar increase from 2015 to 2016 for the same reasons. Expenditures in public works rose from almost \$3.0 million in 2012 to \$4.8 million in 2016, an increase of approximately \$1.9 million or 62.2 percent.

Administration expenditures grew from \$2.5 million in 2012 to \$3.7 million in 2016, an increase of \$1.2 million or 45.8 percent, primarily due to higher pension payments. Information technology, while only a small percentage of departmental expenditures, had the highest proportional increase because of additional staff and numerous technology initiatives undertaken by the previous Borough manager. The category rose from \$77,608 in 2012 to \$338,899, a growth of \$261,291 or 336.7 percent. All other categories are approximately five percent or less of expenditures. (See Table 3-10.)

Table 3-10
 WEST CHESTER BOROUGH
General Fund Departmental Expenditures
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016		
<u>Department</u>	Actual	Actual	Actual	Actual	Actual	\$	%	
Administration	\$2,537,743	\$3,072,589	\$3,700,515	\$3,708,425	\$3,700,653	1,162,910	45.8	
Building & Housing	560,585	540,277	618,614	590,387	749,192	188,607	33.6	
Employee Benefits	2,942,933	3,006,473	2,643,711	2,242,049	398,186	-2,544,746	-86.5	
Fire	1,128,120	877,842	669,606	1,914,418	0	-1,128,120	-100.0	
Information Technology	77,608	130,909	152,492	299,575	338,899	261,291	336.7	
Insurance	494,372	575,747	580,046	608,099	138,788	-355,584	-71.9	
Parking	644,663	633,111	706,837	866	0	-644,663	-100.0	
Police	5,252,573	5,297,961	5,516,880	5,939,747	7,719,422	2,466,849	47.0	
Public Works	2,977,044	2,764,174	2,797,823	2,375,848	4,829,433	1,852,389	62.2	
Recreation	764,935	716,933	713,625	1,054,800	80,749	-684,186	-89.4	
Contributions	105,000	105,000	105,000	106,680	110,547	5,547	5.3	
TRAN	1,127,118	1,415,190	1,414,659	13,316	0	-1,127,118	-100.0	
Transfers	147,888	-27	213,640	0	276,734	128,846	87.1	
Total Expenditures	\$18,760,581	\$19,136,179	\$19,833,448	\$18,854,209	\$18,342,604	-417,977	-2.2	
	Percentage of Total							
Department								
Administration	13.5	16.1	18.7	19.7	20.2			
Building & Housing	3.0	2.8	3.1	3.1	4.1			
Employee Benefits	15.7	15.7	13.3	11.9	2.2			
Fire	6.0	4.6	3.4	10.2	0.0			
Information Technology	0.4	0.7	0.8	1.6	1.8			
Insurance	2.6	3.0	2.9	3.2	0.8			
Parking	3.4	3.3	3.6	0.0	0.0			
Police	28.0	27.7	27.8	31.5	42.1			
Public Works	15.9	14.4	14.1	12.6	26.3			
Recreation	4.1	3.7	3.6	5.6	0.4			
Contributions	0.6	0.5	0.5	0.6	0.6			
Debt	0.0	0.0	0.0	0.0	0.0			
TRAN	6.0	7.4	7.1	0.1	0.0			
Transfers	0.8	0.0	1.1	0.0	1.5			
Total Expenditures	100.0	100.0	100.0	100.0	100.0			

2017 General Fund Estimated Versus 2017 General Fund Budget

The Borough ended 2017 with an estimated deficit (\$2.1 million) that was more than double the budgeted deficit (\$907,813). Estimated revenues were \$1.4 million less than budgeted revenues. Major revenue items that were estimated at lower than budgeted amounts included real estate taxes, fines, employee pension contributions, local intergovernmental and transfers. In addition, a West Chester University debt service payment of \$939,051 was recorded as negative revenue under miscellaneous revenue. Estimated expenditures were \$217,875 less than budgeted expenditures. Major expenditure items that were estimated at less than budgeted amounts included administration and transfers. (See Tables 3-11, 3-12 and 3-13.)

Table 3-11
 WEST CHESTER BOROUGH
General Fund Revenues, Expenditures and Surplus/(Deficit)
Estimated Versus Budget
 2017

	2017	2017	Estimated vs. Budget	
	Estimated	Budget	\$	%
Revenues	\$16,924,439	\$18,322,523	-1,398,084	-7.6
Expenditures	19,012,461	19,230,336	-217,875	-1.1
Surplus/(Deficit)	-\$2,088,022	-\$907,813		

Table 3-12
 WEST CHESTER BOROUGH
General Fund Estimated vs. Budgeted Revenues
 2017

	2017	2017	Actual vs. Budget	
	Actual	Budget	\$	%
Real Estate Tax	\$4,982,180	\$5,236,192	-254,012	-4.9
Earned Income	3,562,848	3,305,400	257,448	7.8
Real Estate Transfer	502,367	360,000	142,367	39.5
LST	611,637	620,000	-8,363	-1.3
Amusement Tax	1,200	2,000	-800	-40.0
Business Privilege Tax	150,292	230,000	-79,708	-34.7
Fines/Forfeits /Cost	641,096	920,000	-278,904	-30.3
Interest/Rents/ Royalties	394,131	390,100	4,031	1.0
Licenses /Permits	690,985	558,000	132,985	23.8
Charge for Services	76,937	84,000	-7,063	-8.4
Employee contribution	1,128	261,000	-259,872	-99.6
Local Intergovernmental	1,459,635	1,745,537	-285,902	-16.4
State Intergovernmental	835,990	45,000	790,990	1,757.8
State/Local Intergov	59,197	85,000	-25,803	-30.4
Miscellaneous	-834,959	55,000	-889,959	-1,618.1
PILOTs	43,440	37,500	5,940	15.8
Refuse	12,743	15,000	-2,257	-15.0
Refunds/Reimbursements	372,734	439,333	-66,599	-15.2
Transfer	3,360,858	3,933,461	-572,603	-14.6
Total Revenues	\$16,924,439	\$18,322,523	-1,398,084	-7.6

Table 3-13
 WEST CHESTER BOROUGH
General Fund Estimated vs. Budgeted Expenditures
 2017

Department	2017	2017	Actual vs. Budget	
	Actual	Budget	\$	%
Administration	\$1,333,516	\$2,868,195	-1,534,678	-53.5
Building & Housing	890,216	882,238	7,978	0.9
Employee Benefits	235,416	126,388	109,027	86.3
Fire	20,033	15,000	5,033	33.6
Information Technology	385,515	430,121	-44,606	-10.4
Insurance	108,985	35,548	73,437	206.6
Police	8,223,176	8,290,764	-67,589	-0.8
Public Works	6,055,761	4,422,613	1,633,148	36.9
Recreation	54,976	122,000	-67,024	-54.9
Contributions	114,492	109,000	5,492	5.0
Debt Service	384,913	162,712	222,201	136.6
Transfers	1,205,463	1,765,757	-560,294	-31.7
Total Expenditures	\$19,012,461	\$19,230,336	-217,875	-1.1

Other Funds

PEL reviewed the historical figures in the Borough’s General Fund and in other Borough funds. However, for the purposes of this report, the focus was mostly centered on the General Fund. Historical summaries based on the Borough’s reported financials for the Fire, Recreation, Parking and Waste Water Funds are below. For the Fire, Recreation and Parking summaries, all revenues and expenditures for 2012 through 2015 that had been listed in the General Fund are moved to the correct fund for the corresponding year.

Fire Fund

The Fire Fund experienced surpluses from 2012 through 2014 and deficits in 2015 and 2016. Both revenues and expenditures varied throughout. (See Table 3-14.)

Table 3-14
WEST CHESTER BOROUGH
Fire Fund Adjusted with General Fund Revenues and Expenditures
2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 -2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$647,149	\$669,273	\$942,364	\$801,030	\$736,105	88,955	13.7
Expenditures	392,579	377,481	414,143	1,477,655	817,441	424,862	108.2
Surplus/Deficit	\$254,570	\$291,792	\$528,222	-\$676,626	-\$81,336		

Recreation Fund

The Recreation Fund experienced deficits throughout the historical review period ranging from a high of \$451,780 in 2015 to a low of \$208,330 in 2014. Revenues were approximately \$500,000 annually from 2012 through 2014 and then increased by about \$100,000 in 2015 and 2016. Expenditures varied from \$1.1 million in 2015 to \$713,625 in 2014. (See Table 3-15.)

Table 3-15
WEST CHESTER BOROUGH
Recreation Fund Adjusted with General Fund Revenues and Expenditures
2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 -2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$494,399	\$499,312	\$505,295	\$603,019	\$598,772	104,373	21.1
Expenditures	764,935	716,933	713,625	1,054,800	818,800	53,866	7.0
Surplus/Deficit	-\$270,536	-\$217,621	-\$208,330	-\$451,780	-\$220,028		

Parking Fund

The Parking Fund experienced surpluses throughout the historical review period. When proceeds for debt and depreciation are removed, the fund shows a deficit in 2012. Parking revenues less debt proceeds grew from \$3.2 million in 2012 to \$5.0 million in 2016. Expenditures less depreciation declined from almost \$3.8 million in 2012 (when no depreciation was recorded) to \$1.8 million in 2016. (See Table 3-16.)

Table 3-16
 WEST CHESTER BOROUGH
Parking Fund Adjusted with General Fund Revenues and Expenditures
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$12,805,138	\$3,909,242	\$4,645,485	\$5,070,344	\$4,959,236	-7,845,902	-61.3
Expenditures	3,761,503	3,799,204	3,543,581	4,579,251	2,618,402	-1,143,101	-30.4
Surplus/(Deficit)	\$9,043,635	\$110,038	\$1,101,904	\$491,093	\$2,340,834		
	2012	2013	2014	2015	2016	Change 2012 - 2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$12,805,138	\$3,909,242	\$4,645,485	\$5,070,344	\$4,959,236	-7,845,902	-61.3
Less: Proceeds	-9,583,597	0	0	0	0	9,583,597	-100.0
Net Revenues	\$3,221,541	\$3,909,242	\$4,645,485	\$5,070,344	\$4,959,236	1,737,695	53.9
Expenditures	\$3,761,503	\$3,799,204	\$3,543,581	\$4,579,251	\$2,618,402	-1,143,101	-30.4
Less: Depreciation	0	-564,841	-605,560	-761,275	-778,736	-778,736	100.0
Net Expenditures	\$3,761,503	\$3,234,363	\$2,938,021	\$3,817,976	\$1,839,665	-1,921,838	-51.1
Net Surplus/(Deficit)	-\$539,962	\$674,879	\$1,707,464	\$1,252,368	\$3,119,571		

Waste Water Fund

The Waste Water Fund experienced deficits throughout most of the historical review period. Deficits were recorded in 2012 through 2014 and in 2016. Transfers were made from the Wastewater Fund to the General Fund as follows: \$906,916 in 2012, \$567,082 in 2013, \$916,345 in 2014, and \$855,990 in 2016. The Wastewater experienced a surplus in 2015 when the Borough received a \$284,006 state/county grant. Revenues grew by \$545,782 or 12.6 percent while expenditures increased by \$169,324 or 3.5 percent. (See Table 3-17.)

Table 3-17
 WEST CHESTER BOROUGH
Wastewater Fund
 2012 to 2016

	2012	2013	2014	2015	2016	Change 2012-2016	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenue and Sources	\$4,314,930	\$5,100,096	\$4,846,741	\$5,381,414	\$4,860,711	545,782	12.6
Expenditures and Uses	<u>4,797,905</u>	<u>5,245,230</u>	<u>5,456,395</u>	<u>4,288,448</u>	<u>4,967,229</u>	169,324	3.5
Rev/Sources over(under) Exp/Uses	-\$482,975	-\$145,133	-\$609,654	\$1,092,966	-\$106,517		

Net Position of Borough Funds

The balances of the General Fund and other Borough funds are shown in the table below as per the Borough’s audit. Although the Borough has a Debt Service Fund, Borough debt service as of 2018 is to be paid out of the General Fund with the exception of debt service subject to reimbursement from West Chester University for parking garages. This debt service is recorded in the Parking Fund. Revenue transfers in from the Parking, Storm Water and Fire Funds to the General Fund will cover debt service amounts associated with those funds. Debt service for the 2000 Pool Principal Bond, which matures in 2020, is covered by General Fund revenues. (See Table 3-18)

Table 3-18
 WEST CHESTER BOROUGH
Borough Funds as Audited
 2016

		December 31, 2016
Funds	Type	Balance/Net Position
General	Major	676,939
Fire	Nonmajor	-284,820
Recreation & Events	Nonmajor	61,696
Wastewater	Proprietary	14,025,670
Parking	Proprietary	7,203,771
Capital Improvement	Nonmajor	636,828
Shade Tree	Nonmajor	64,596
Highway Aid	Nonmajor	607,289
Stormwater (Stream)	Nonmajor	-122,159
OPEB	Fiduciary	
Capital Reserve	Major	6,212,523
Equipment Technology Replacement	Major	-3,387,236
Debt Service	Major	8,457,261
Police Pension	Fiduciary	25,699,152
Non Uniformed Pension	Fiduciary	14,060,878
UDAG	Nonmajor	53,522

2016 Long-Term Debt⁴

At the end of 2016, the Borough had total bonded debt outstanding of \$41,736,000, an increase of \$7,922,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities reported \$11,705,473 and business-type activities reported \$30,030,527 of general obligation bonds.

The Borough has a bonded debt rating of AA Stable from Standard and Poor's Investors Service for general obligation debt.

A new bond issuance for infrastructure capital occurred in 2016 in the amount of \$9,335,000. The proceeds are to be used for the renovation of the municipal building, the purchase of four fire trucks, and the first phase of a storm water management project.

Other Long-Term Debt

General Obligation Bonds and Notes

The General Obligation Note, Series of 2000, matures in annual principal amounts ranging from \$39,000 in 2002, with a final principal payment of \$47,000 due in 2020. The note bears interest at variable rates. The General Obligation Note, Series of 2000, was issued to fund the acquisition of two pumper fire engines and for the construction of storm water improvements.

The General Obligation Bond, Series C of 2012, was issued in the amount of \$1,230,000. The proceeds were used to fund the purchase of two Borough fire trucks. The bonds mature in annual principal amounts ranging from \$5,000 in 2014, with a final principal payment of \$410,000 in 2023. The bonds bear interest at rates ranging from 0.8percent to 2.35 percent.

The General Obligation Bond, Series of 2013, was issued in the amount of \$545,000. The proceeds were used to currently refund the General Obligation Note, Series of 2004. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$92,832 and an economic gain from refunding of \$84,997. The bonds mature in annual principal amounts ranging from \$35,000 in 2013 to \$50,000 in 2024. The bonds bear interest at rates ranging from 0.350 percent to 2.25 percent.

The General Obligation Note, Series of 2014, was issued in the amount of \$950,206. The proceeds were used to finance the Energy Conservation Project. The note matures in annual

⁴ Information for this section was taken from the Borough's 2016 Audit

principal amounts ranging from \$76,045 in 2015 to \$44,063 in 2034. The note bears interest at a fixed interest rate of 2.95 percent through 2024. After the fixed rate term, the note bears a variable interest rate not to exceed 9.0 percent until maturity.

The General Obligation Bond, Series of 2016, was issued in the amount of \$9,335,000. The proceeds are to be used for renovations to the municipal building, the purchase of four fire trucks, and the first phase of a storm water management project. The bonds mature in annual principal amounts ranging from \$175,000 in 2016 to \$105,000 in 2045. The bonds bear interest at rates ranging from 2.00 percent to 4.00 percent.

Parking Revenue Bonds and Notes

In August 2010, the Borough issued debt in the amount of \$12,075,000 for the purpose of paying off the note payable that had been issued the year before, as well as the remaining construction expenses for the demolition and construction of a parking garage. The Guaranteed Parking Revenue Bonds, Series of 2010, mature in annual principal amounts ranging from \$135,000 in 2011, with a final payment of \$915,000 due in 2040. This issue bears interest at annual rates ranging from 2.00 percent to 4.40 percent.

In April 2011, the Borough issued debt in the amount of \$8,610,000 to currently refund a portion of the Borough's Guaranteed Parking Revenue Bonds, Series of 2003, and to provide funds for Borough parking facilities capital projects and the reconstruction of a Borough road through the West Chester University campus. The bonds mature in annual principal amounts ranging from \$65,000 in 2012, with a final payment of \$395,000 due in 2040. This issue bears interest at annual rates ranging from 2.00 percent to 5.00 percent.

In September 2012, the Borough issued debt in the amount of \$9,820,000 for the purpose of the construction of two new parking garage facilities on campus property of the West Chester University. The bonds mature in annual principal amounts ranging from \$355,000 in 2012, with a final payment of \$1,110,000 due in 2035. This issue bears interest at annual rates ranging from .88 percent to 3.35 percent.

In May 2013, the Borough issued debt in the amount of \$3,745,000 to currently refund the Guaranteed Parking Revenue Note, Series of 1999, and to pay the costs and expenses related to the issuance of the bonds. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$676,959 and an economic gain from refunding of \$575,397. The bonds

mature in annual principal amounts ranging from \$200,000 in 2013, with a final payment of \$290,000 due in 2027. This issue bears interest at annual rates ranging from 0.350 percent to 2.50 percent.

In January 2014, the Borough issued debt in the amount of \$386,794 to provide funds to finance the Parking System Project. The note matures in annual principal amounts ranging from \$30,955 in 2015 to \$17,937 in 2034. The note bears interest at a fixed interest rate of 2.95 percent through 2024. After the fixed rate term, the note bears a variable interest rate not to exceed 9.0 percent until maturity.

In January 2016, the Borough issued debt in the amount of \$11,555,000 to currently refund the General Obligation Bonds, Series of 2010, and to pay the costs and expenses related to the issuance of the bonds. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$973,343 and an economic gain from refunding of \$66,323. The bonds mature in annual principal amounts ranging from \$220,000 in 2016, with a final payment of \$865,000 due in 2040. This issue bears interest at annual rates ranging from 2.00 percent to 4.00 percent.

In October 2016, the Borough issued debt in the amount of \$7,070,000 to currently refund the General Obligation Bonds, Series of 2011, and to pay the costs and expenses related to the issuance of the bonds. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$992,632 and an economic gain from refunding of \$127,163. The bonds mature in annual principal amounts ranging from \$470,000 in 2017, with a final payment of \$65,000 due in 2040. This issue bears interest at annual rates ranging from 0.70 percent to 3.00 percent.

Beginning in 2018, the Borough is paying debt service from the General Fund for obligations of the Borough. This includes parking related debt. Parking related debt, where the Borough receives payment from West Chester University, is still recorded in the Parking Fund. (See Tables 3-19 and 3-20.)

Table 3-19
WEST CHESTER BOROUGH
Long Term Debt

Description	Fund	Cat1	Original Issue	Matures	2018 Debt Service
2000 Pool Principal	General	Boro	\$745,000	2020	\$90,334
2012C Fire Truck principal	General	Boro	1,230,000	2023	124,033
2013 Library - principal	General	Boro	545,000	2024	51,888
2014 Energy Conservation - principal	General	Boro	950,206	2034	63,441
2016 \$2.0 Storm	General	Boro	2,010,000	2045	113,033
2016 \$2.8 FT- principal	General	Boro	2,770,000	2037	177,476
2016 \$4.5 Bldg- principal	General	Boro	4,555,000	2037	156,586
2013 DV Bicentennial Garage - principal	Parking	Boro	3,745,000	2027	297,613
2014 Parking Meters & Software - principal	Parking	Boro	386,794	2034	81,511
2016 Refunding- principal	Parking	Boro	11,555,000	2040	556,008
2016A Borough Garage - principal (Chestnut St)	Parking	Boro	1,140,000	2040	67,323
Total General Fund			\$29,632,000		\$1,779,243
2012A Garage principal (University S New St.)	Parking	Uni	2,150,000	2019	374,768
2012B Garage principal (University S New St.)	Parking	Uni	7,670,000	2035	212,201
2016A University Parking - principal (Matlack)	Parking	Uni	2,860,000	2028	270,800
2016A University Parking - principal (Sharpless St)	Parking	Uni	3,070,000	2028	289,550
Total Parking Fund			15,750,000		1,147,319

Table 3-20
WEST CHESTER BOROUGH
Debt Maturities as of December 31, 2016

Year Ending	Government Activities		Business Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
December	Maturities	Maturities	Maturities	Maturities	Maturities	Maturities
2017	\$448,548	\$369,630	\$1,264,452	\$844,938	\$1,713,000	\$1,214,568
2018	459,152	361,093	1,303,848	811,082	1,763,000	1,172,175
2019	467,284	352,044	1,319,716	782,273	1,787,000	1,134,317
2020	423,139	340,288	1,326,861	754,397	1,750,000	1,094,685
2021	435,560	402,809	1,357,440	741,000	1,793,000	1,143,809
2022 to 2026	2,290,593	1,419,084	7,257,407	3,068,237	9,548,000	4,487,321
2027 to 2031	2,601,889	1,136,054	6,703,111	2,150,883	9,305,000	3,286,937
2032 to 2016	3,204,346	705,979	5,982,653	1,040,216	9,186,999	1,746,195
2037 to 2041	969,962	215,350	3,515,039	257,710	4,485,001	473,060
2042 to 2045	405,000	39,140	0	0	405,000	39,140
	\$11,705,473	\$5,341,471	\$30,030,527	\$10,450,736	\$41,736,000	\$15,792,207

CHAPTER 4 FINANCIAL PROJECTIONS OF WEST CHESTER BOROUGH

PEL's financial projections for the period 2018 through 2022 indicate that the Borough's General Fund revenues will not be able to keep pace with growing General Fund expenditures. This is despite the fact that the Borough is expected to transfer a considerable amount of revenue from other funds to the General Fund. The Wastewater Fund is projected to experience deficits from 2018 through 2022 as a result of these transfers. In addition, projections point to depletion of the Borough's capital reserves during the projection period, assuming it is used to offset annual deficits. As a result, the Borough will most likely need to consider appropriate expenditure reductions or revenue increases in order to avoid future operating deficits in the General Fund. In terms of General Fund expenditures, the largest increases are projected in the Police Department followed by debt service and public works.

PEL prepared its General Fund operating projections using the 2018 budget, the historical revenue and expenditure patterns outlined in Chapter 3, the current collective bargaining agreements, actuarial pension data, amortization tables and similar information.

Revenue Projection Assumptions

- No increase in tax rates or fees for baseline projections
- The 2018 budget serves as the baseline
- 0.5 percent annual growth in Real Estate Tax revenue
- 2.0 percent annual growth in Earned Income Tax revenue
- 3.9 percent annual growth in Local Services Tax revenue
- 2.0 percent annual growth in Real Estate Transfer Tax revenue
- 2.0 percent annual growth in license and permits
- 3.7 percent annual growth in state aid
- Wastewater Fund and Storm Water Fund transfers are at 2018 budget level and held constant
- Parking Fund transfers are equal to General Fund debt service payments for parking
- Fire Fund transfer occurs only in 2018
- Other revenues and transfers from other funds held at budgeted levels or 2012-2016 average revenue

Expenditure Projection Assumptions

- The 2018 budget with adjustments serves as the baseline
- Employee counts were assumed to remain at 2018 budgeted levels
- Police salary increases were estimated at the current contractual level
- Other salaries increase 2.0 percent throughout the period
- Pension contribution increased per contractual levels
- Health insurance increased by 6.0 percent annually
- Other insurances increased by 1.5 percent annually
- Workers' compensation increased by 2.0 percent annually
- Contracted and professional services increased by 2.0 percent annually
- Transfer to the Equipment Technology Fund was reduced by 50 percent annually
- Transfer to the Capital Improvement Fund is at the 2018 budgeted level and then reduced to \$150,000 in 2019 and held constant
- Transfer to the Capital Reserve Fund was held constant at 2018 budgeted level
- Debt service payments correspond to amortization schedules; no new debt incurred
- Other items adjusted using the Consumer Price Index

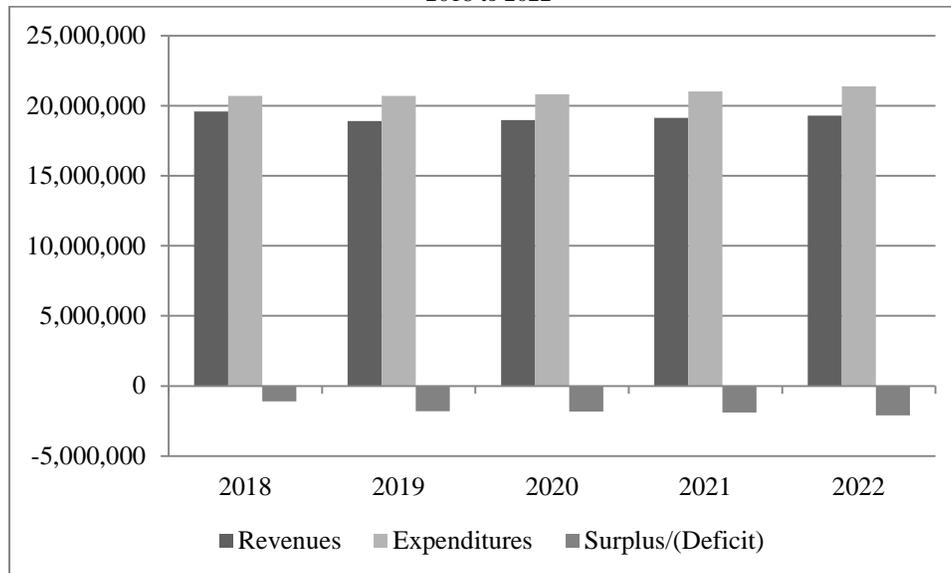
General Fund Revenues and Expenditures

Projections indicate a decline in revenues of \$309,597 or 1.6 percent, falling from \$19.6 million in 2018 to \$19.3 million in 2022. The decline is due in part to a one-time, \$600,000 grant that the Borough is projected to receive in 2018. Expenditures are anticipated to increase by \$685,112 or 3.3 percent, growing from almost \$20.7 million in 2018 to almost \$21.4 million in 2022. The Borough is projected to end each year with a deficit starting at \$1.1 million in 2018 and ending at \$2.1 million in 2022. As of November 2017, the balance in the Borough's Capital Reserve Fund was \$7.6 million. The money in this fund is unrestricted and has not been used for deficit offsets since 2014. The total of the reserve balance has increased due to significant market returns and avoiding using the principal balance for deficit reduction. However, the projected amount of cumulative deficits from 2018 to 2022 exceeds the amount currently in the Capital Reserve Fund. (See Table 4-1 and Graph 4-1.)

Table 4-1
 WEST CHESTER BOROUGH
General Fund Revenues, Expenditures and Surplus/(Deficit)
 2018 to 2022

	2018	2019	2020	2021	2022	Change 2012 - 2016	
	Projected	Projected	Projected	Projected	Projected	\$	#
Revenues	\$19,591,004	\$18,899,979	\$18,968,384	\$19,123,628	\$19,281,407	-309,597	-1.6
Expenditures	<u>20,693,049</u>	<u>20,701,989</u>	<u>20,805,804</u>	<u>21,011,577</u>	<u>21,378,161</u>	685,112	3.3
Surplus/(Deficit)	-\$1,102,045	-\$1,802,010	-\$1,837,420	-\$1,887,949	-\$2,096,754		

Graph 4-1
 WEST CHESTER BOROUGH
General Fund Revenues, Expenditures, and Surplus/(Deficit)
 2018 to 2022



General Fund Adjustments

In order to gain a truer picture of projected General Fund revenues and expenditures, transfers for the Wastewater Fund, Parking Fund and Storm Water Fund were removed from General Fund revenues, and parking and storm water debt service were removed from General Fund expenditures. This results in significantly higher annual deficits from 2018 through 2022. The projected annual transfers of \$1.5 million from the Wastewater Fund to the General Fund also result in anticipated annual deficits in the Wastewater Fund that range from \$823,106 in 2018 to \$728,120 in 2022. Regarding the amount of the Wastewater Fund transfers, the borough should conduct a cost allocation study to ensure that transfer amounts from the Wastewater Fund

to the General Fund properly represent sewer-related General Fund expenditures. The Parking Fund is anticipated to experience deficits of \$241,984 in 2018 to \$645,015 in 2022 once transfers are made to pay for parking-related debt. Projections for the Storm Water Fund, which was created in 2017, were not done due to a lack of historical information. (See Tables 4-2, 4-3 and 4-4.)

Table 4-2
 WEST CHESTER BOROUGH
Adjusted General Fund Revenues, Expenditures and Surplus/(Deficit)
 2018 to 2022

	2018	2019	2020	2021	2022
	Projected	Projected	Projected	Projected	Projected
Revenues	\$19,591,004	\$18,899,979	\$18,968,384	\$19,123,628	\$19,281,407
Less Transfers:					
Sewer Fund	-1,487,994	-1,487,994	-1,487,994	-1,487,994	-1,487,994
Parking Fund	-1,300,000	-1,554,323	-1,473,093	-1,475,643	-1,477,593
Storm Water Fund	-794,848	-794,848	-794,848	-794,848	-794,848
Net Revenues	\$16,008,162	\$15,062,814	\$15,212,450	\$15,365,143	\$15,520,973
Expenditures	\$20,693,049	\$20,701,989	\$20,805,804	\$21,011,577	\$21,378,161
Less: Debt Service					
Parking Fund	-1,002,453	-1,554,323	-1,473,093	-1,475,643	-1,477,593
Storm Water Fund	-113,033	-112,133	-115,783	-113,783	-101,783
Net Expenditures	\$19,577,563	\$19,035,534	\$19,216,929	\$19,422,152	\$19,798,786
Net Surplus/(Deficit)	-\$3,569,401	-\$3,972,720	-\$4,004,480	-\$4,057,009	-\$4,277,814

Table 4-3
 WEST CHESTER BOROUGH
Wastewater Fund Revenue, Expenditures and Surplus/(Deficit)
 2018 to 2022

	2018	2019	2020	2021	2022	Change 2018 -2022	
	Projected	Projected	Projected	Projected	Projected	\$	%
Revenue and Sources	\$5,201,000	\$5,201,000	\$5,201,000	\$5,201,000	\$5,201,000	0	0.0
Expenditures and Uses	6,024,106	5,705,323	5,776,969	5,851,757	5,929,120	-94,986	-1.6
Surplus/(Deficit)	-\$823,106	-\$504,323	-\$575,969	-\$650,757	-\$728,120		

Table 4-4
 WEST CHESTER BOROUGH
Parking Fund Revenue, Expenditures and Surplus/(Deficit)
 2018 to 2022

	2018	2019	2020	2021	2022	Change 2019 - 2022	
	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Revenues	\$5,564,109	\$5,564,109	\$5,568,366	\$5,566,216	\$5,573,431	9,322	0.2
Expenditures	<u>5,806,093</u>	<u>6,107,543</u>	<u>6,087,691</u>	<u>6,147,471</u>	<u>6,218,446</u>	412,353	7.1
Surplus/(Deficit)	-\$241,984	-\$543,433	-\$519,325	-\$581,255	-\$645,015		

Note: The remainder of the projection chapter includes the revenue transfers and expenditure debt service in the General Fund as noted in the assumptions. Please see Chapter 3 for further information on the Borough’s outstanding debt.

General Fund Revenues

Tax revenues are anticipated to grow by 5.2 percent, increasing by \$524,471 from \$10.0 million in 2018 to almost \$10.6 million in 2022. Non-tax revenue is expected to decline by \$561,661 or 10.2 percent. As noted earlier, the drop in non-tax revenue is due at least in part to a one-time grant received in 2018. Transfers are projected to drop by \$272,408 or 6.8 percent. Tax revenue accounts for over half of total revenues, while non-tax revenue ranges from 25.6 percent to 28.1 percent of total revenues. Transfers are approximately 20 percent of total revenues. (See Table 4-5.)

Table 4-5
 WEST CHESTER BOROUGH
Total Revenues
 2018 to 2022

	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	Change 2018-2022	
	2018	2019	2020	2021	2022	\$	%
Tax Revenue	\$10,052,547	\$10,179,706	\$10,309,459	\$10,441,873	\$10,577,018	524,471	5.2
Non-Tax Revenue	5,505,615	4,883,108	4,902,990	4,923,270	4,943,954	-561,661	-10.2
Transfer	4,032,842	<u>3,837,165</u>	<u>3,755,935</u>	<u>3,758,485</u>	<u>3,760,435</u>	<u>-272,408</u>	-6.8
Total Revenue	\$19,591,004	\$18,899,979	\$18,968,384	\$19,123,628	\$19,281,407	-309,597	-1.6
	Percent of Revenue						
Tax Revenue	51.3	53.9	54.4	54.6	54.9		
Non-Tax Revenue	28.1	25.8	25.8	25.7	25.6		
Transfer	<u>20.6</u>	<u>20.3</u>	<u>19.8</u>	<u>19.7</u>	<u>19.5</u>		
Total Revenue	100.0	100.0	100.0	100.0	100.0		

Tax Revenue

The largest projected growth in total tax revenue is from earned income tax, which is anticipated to rise by \$282,008 or 8.2 percent from \$3.4 million in 2018 to \$3.7 million in 2022. Earned income taxes are approximately one-third of total tax revenue. General purpose real estate taxes (over half of total tax revenue) are expected to grow by 2.0 percent or \$110,265, while local services taxes are likely to increase by \$102,523 or 16.5 percent. (See Table 4-6.)

Table 4-6
WEST CHESTER BOROUGH
Total Taxes
2018 to 2022

	Projected	Projected	Projected	Projected	Projected	Change 2018-2022	
	2018	2019	2020	2021	2022	\$	%
Real Estate Tax	\$5,419,458	\$5,446,816	\$5,474,313	\$5,501,948	\$5,529,723	110,265	2.0
Earned Income	3,421,089	3,489,511	3,559,301	3,630,487	3,703,097	282,008	8.2
Real Estate Transfer	360,000	367,200	374,544	382,035	389,676	29,676	8.2
LST	620,000	644,179	669,301	695,403	722,523	102,523	16.5
Amusement Tax	2,000	2,000	2,000	2,000	2,000	0	0.0
Business Privilege Tax	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	0	0.0
Total Taxes	\$10,052,547	\$10,179,706	\$10,309,459	\$10,441,873	\$10,577,018	524,471	5.2
	Percent of Tax Revenue						
Real Estate Tax	53.9	53.5	53.1	52.7	52.3		
Earned Income	34.0	34.3	34.5	34.8	35.0		
Real Estate Transfer	3.6	3.6	3.6	3.7	3.7		
LST	6.2	6.3	6.5	6.7	6.8		
Amusement Tax	0.0	0.0	0.0	0.0	0.0		
Business Privilege Tax	<u>2.3</u>	<u>2.3</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>		
Total Taxes	100.0	100.0	100.0	100.0	100.0		

Non-Tax Revenue

The largest decrease in non-tax revenues is anticipated in the state and local intergovernmental category, which drops by \$600,000 due to a one-time grant received in that amount for 2018. Slight growth is projected in refunds and reimbursements, which includes various insurance and workers’ compensation refunds; refuse; and licenses and permits. (See Table 4-7.)

Table 4-7
 WEST CHESTER BOROUGH
 Total Non-Tax Revenues
 2018 to 2022

	Projected	Projected	Projected	Projected	Projected	Change 2018-2022	
	2018	2019	2020	2021	2022	\$	%
Fines/Forfeits /Cost	\$890,000	\$890,000	\$890,000	\$890,000	\$890,000	0	0.0
Interest/Rents/ Royalties	389,100	389,102	389,104	389,106	389,108	8	0.0
Licenses /Permits	592,000	563,040	574,301	585,787	597,503	5,503	0.9
Charge for Services	53,000	53,000	53,000	53,000	53,000	0	0.0
Employee contribution	268,800	268,800	268,800	268,800	268,800	0	0.0
Local Intergovernmental	1,949,215	1,949,215	1,949,215	1,949,215	1,949,215	0	0.0
State Intergovernmental	45,000	45,000	45,000	45,000	45,000	0	0.0
State/Local Intergovernmental	635,000	35,000	35,000	35,000	35,000	-600,000	-94.5
Miscellaneous	59,000	59,000	59,000	59,000	59,000	0	0.0
PILOTs	37,500	37,500	37,500	37,500	37,500	0	0.0
Refuse	15,000	15,271	15,547	15,828	16,114	1,114	7.4
Refunds/Reimbursements	572,000	578,180	586,524	595,034	603,715	31,715	5.5
Total Non-Tax Revenue	\$5,505,615	\$4,883,108	\$4,902,990	\$4,923,270	\$4,943,954	-561,661	-10.2
Percent of Non-Tax Revenue							
Fines/Forfeits /Cost	16.2	18.2	18.2	18.1	18.0		
Interest/Rents/ Royalties	7.1	8.0	7.9	7.9	7.9		
Licenses /Permits	10.8	11.5	11.7	11.9	12.1		
Charge for Services	1.0	1.1	1.1	1.1	1.1		
Employee contribution	4.9	5.5	5.5	5.5	5.4		
Local Intergovernmental	35.4	39.9	39.8	39.6	39.4		
State Intergovernmental	0.8	0.9	0.9	0.9	0.9		
State/Local Intergovernmental	11.5	0.7	0.7	0.7	0.7		
Miscellaneous	1.1	1.2	1.2	1.2	1.2		
PILOTs	0.7	0.8	0.8	0.8	0.8		
Refuse	0.3	0.3	0.3	0.3	0.3		
Refunds/Reimbursements	<u>10.4</u>	<u>11.8</u>	<u>12.0</u>	<u>12.1</u>	<u>12.2</u>		
Total Non-Tax Revenue	100.0	100.0	100.0	100.0	100.0		

Transfers

Transfers during the projection period are made into the General Fund from the Wastewater Fund, Parking Fund, Storm Water Fund and Fire Fund. The amount of Wastewater Fund and Storm Water Fund transfers are held constant from the 2018 budgeted amounts. Parking Fund transfers are the budgeted amount in 2018 and then are equal to the amount of debt service paid out of the General Fund. The Fire Fund transfer occurs only in 2018. See Chapter 3 for additional information regarding the Borough’s debt position. (See Table 4-8.)

Table 4-8
 WEST CHESTER BOROUGH
Transfers
 2018 to 2022

	2018	2019	2020	2021	2022
	Projected	Projected	Projected	Projected	Projected
Wastewater Fund	\$1,487,994	\$1,487,994	\$1,487,994	\$1,487,994	\$1,487,994
Parking Fund	1,300,000	1,554,323	1,473,093	1,475,643	1,477,593
Storm Water Fund	794,848	794,848	794,848	794,848	794,848
Fire Fund	\$450,000	\$0	\$0	\$0	\$0

General Fund Expenditures

Personnel versus Non-Personnel

Projections indicate that personnel expenditures will likely increase by almost \$1.4 million or 10.7 percent from 2018 to 2022. The largest anticipated growth is from salary and wages (\$662,524 or 7.8 percent) and health insurance (\$478,321 or 25.2 percent). Personnel expenditures are anticipated to account for 62 to 66 percent of total expenditures from 2018 to 2022. Non-personnel costs are expected to decline by \$1.4 million or 26.5 percent. The decrease in non-personnel payments is mostly the result of lower capital expenditures. Debt service grows by \$682,237 or 37.2 percent from \$1.8 million in 2018 to \$2.5 million in 2022. (See Table 4-9.)

Table 4-9
 WEST CHESTER BOROUGH
Personnel versus Non-Personnel Expenditures
 2018 to 2022

	2018	2019	2020	2021	2022	Change 2018-2022		
Type	Projected	Projected	Projected	Projected	Projected	\$	%	
Personnel	\$12,718,514	\$13,021,209	\$13,362,949	\$13,716,614	\$14,082,735	1,364,221	10.7	
Non-Personnel	5,221,814	4,060,044	3,890,921	3,830,099	3,836,727	-1,385,087	-26.5	
Transfer	867,078	871,838	876,694	881,647	886,699	19,621	2.3	
Debt Service	1,831,764	2,690,897	2,617,240	2,525,217	2,514,001	682,237	37.2	
Total Expenditures	\$20,639,170	\$20,643,989	\$20,747,804	\$20,953,577	\$21,320,161	680,991	3.3	
Type	Percentage of Total Expenditures							
Personnel	61.6	63.1	64.4	65.5	66.1			
Non-Personnel	25.3	19.7	18.8	18.3	18.0			
Transfer	4.2	4.2	4.2	4.2	4.2			
TRAN	0.0	0.0	0.0	0.0	0.0			
Debt Service	8.9	13.0	12.6	12.1	11.8			
Total Expenditures	100.0	100.0	100.0	100.0	100.0			

Departmental Expenditures

The Police Department is projected to see the largest expenditure increase, rising from \$7.9 million in 2018 to \$8.7 million in 2022, a growth of \$792,113 or 10.0 percent. Public works is anticipated to rise by \$402,028 or 9.5 percent, while administration is likely to decrease by \$233,593 or 15.9 percent. The administration decline is the result of one-time expenditures in 2018 associated with renovation costs to the Borough building. Debt service increases as the Borough’s obligation for debt service principal payments grow. (See Table 4-10.)

Table 4-10
 WEST CHESTER BOROUGH
Total Departmental Expenditures
 2018 to 2022

	2018	2019	2020	2021	2022	Change 2018-2022	
<u>Department</u>	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Administration	\$1,473,079	\$1,177,379	\$1,197,473	\$1,217,968	\$1,239,486	-233,593	-15.9
Building & Housing	888,822	868,722	887,660	907,226	929,447	40,625	4.6
Employee Benefits	124,921	130,402	136,171	142,246	148,643	23,722	19.0
Pension	1,317,924	1,360,481	1,401,662	1,444,120	1,487,897	169,973	12.9
Fire	15,000	0	0	0	0	-15,000	-100.0
Information Technology	474,318	482,467	488,492	494,699	505,483	31,165	6.6
Insurance	38,749	39,433	40,129	40,838	41,559	2,810	7.3
Police	7,934,118	8,124,193	8,317,395	8,516,969	8,726,231	792,113	10.0
Public Works	4,229,035	4,302,737	4,407,483	4,515,936	4,631,063	402,028	9.5
Recreation	80,000	81,600	83,232	84,897	86,595	6,595	8.2
Contributions	109,000	109,000	109,000	109,000	109,000	0	0.0
Capital Expense	1,493,785	599,624	384,812	277,406	223,703	-1,270,082	-85.0
Debt Service	1,816,764	2,690,897	2,617,240	2,525,217	2,514,001	697,237	38.4
Transfers	<u>735,055</u>	<u>735,055</u>	<u>735,055</u>	<u>735,055</u>	<u>735,055</u>	<u>0</u>	<u>0.0</u>
Total Expenditures	\$20,730,570	\$20,701,989	\$20,805,804	\$21,011,577	\$21,378,161	647,591	3.1

CHAPTER 5 REVIEW OF SEWER AND PARKING ASSETS

Introduction

The Borough of West Chester owns two significant business-type assets; they are the Borough's parking system and the Borough's sewer system. Both the parking system and the sewer system utilize Borough administrative staff, office space and other Borough overhead expenses (direct and indirect) but also produce funds to defray the expenses incurred by the Borough. In the case of the sewer system, the Sewer Rental Act places explicit statutory limitations on use of sewer rents to pay for direct and indirect overhead of the Borough as well as limitations on the use of sewer rents for reserves and other costs relating to sewer operations. The parking system has no such statutory limits placed on how much that enterprise can contribute to the Borough to defray general fund costs.

This chapter is focused on ascertaining whether the current ownership and operating structure of these two Borough assets are generating sufficient revenues to pay for ongoing operations, maintenance, debt and the desired level of capital expenditures. In addition, this chapter also includes recommendations the Borough may wish to consider that could improve the overall financial results for the Borough. Finally, this chapter will also include an analysis of the pros and cons of monetization¹ of one or both assets.

Sewer System

Overview

The Borough's sewer system consists of an extensive gravity collection system and four pumping stations. Three of the pumping stations discharge into the Goose Creek Wastewater Treatment Plant and one pumping station discharges into Taylor Run Wastewater Treatment Plant. The Goose Creek WWTP was rebuilt in 1988 and the Taylor Run WWTP was rebuilt in 1984.

In 1984, in cooperation with Wyeth Pharmaceuticals, an agreement was entered into to improve wastewater treatment to accommodate the waste from Wyeth. In return Wyeth agreed to pay the Borough \$800,000 per year towards the maintenance and ongoing operating costs *for the*

¹ As used herein, monetization is a general term for taking all or a portion of the net cash flow generated by an asset and turning it into either upfront, lump sum payments, periodic payments, or both. A monetization can take the form of an outright sale of the asset, a long-term lease or concession, a long-term operation and management agreement, or one of a variety of other structures. The sale, long-term lease, or concession could be to a public or private entity.

life of the plant. As a result of contentious litigation, the Borough agreed to terminate the agreement with Pfizer/Wyeth and no longer receives the \$800,000 per annum. These lost revenues, among other things, led to the Borough undertaking a sewer rate study to assess its options for back-filling these lost revenues, paying for increased operating costs and paying for significant capital needs of the sewer system.

Sewer Rate Study

A Sewer Rate Study for the Borough of West Chester was undertaken by Buchart Horn, Inc. and released to the Borough in October 2012 (“Sewer Rate Study”). In an effort to mitigate the loss of revenues from Pfizer/Wyeth, the Borough enacted a 9% sewer rate increase beginning October 1, 2012 and enacted a second 9% increase beginning January 1, 2013.

The Sewer Rate Study states that “[n]ew regulatory requirements, increasing maintenance associated with aging treatment systems, salary increases, and inflation” cannot be paid for with revenue from existing and new customers without rate increases.² Moreover, the capital needs of the sewer system were significant according to the Sewer Rate Study: *“There has been very little replacement of sewer mains. Many of these pipes and their appurtenances were installed in the early 1900’s.”*³ *“At some point, probably after the end of the planning period, replacement of major units will be warranted to assure reliability or take advantage of newer technology. A plant upgrade for phosphorus removal may be required at one or both treatment plants in the future. This upgrade may consist of chemical treatment or it may require membrane filtration...If membrane filtration is required, this would constitute a major plant upgrade that could cost as much as \$10 million.”*

The Sewer Rate Study concludes with a recommendation of rate increases in 2015 (10%) and 2018 (13%) or 2013 (16%) and 2019 (10%). To our knowledge, neither of these latter rate increases have occurred, nor has a long term plan been instituted to begin replacement of sewer mains. This latter problem is common throughout the Commonwealth of Pennsylvania provoking engineers and other water and sewer professionals to declare that there is a crisis in the field of municipal utility operations. A recent example of the type of costs associated with mains or trunk

² Waste flow from West Chester University has remained generally static at slightly over 200,000 gallons per day, notwithstanding the fact that WCU continues to undergo expansion.

³ The Pennsylvania Public Utility Commission “urges” regulated utilities to use a surcharge on customers’ bills to accelerate the replacement of existing aging facilities. These so-called “Distribution System Improvement Charges” or “DSIC” are designed to “provide ratepayers with improved service quality; greater rate stability; fewer main breaks; fewer service interruptions, [and] increased safety” among other things.

lines breaking can be seen in connection with the Valley Creek Trunk Sewer repairs owned and operated by Tredyffrin Township with a cost in excess of \$18 million, exclusive of fines and litigation costs.

A review of the operating results of the Sewer Fund, coupled with a review of the Sewer Rate Study, leads to the conclusion that rates have not been increased sufficiently to pay for operations, necessary maintenance, an adequate replacement program and required sewer system improvements.

While the Borough has incurred debt for capital improvements in the past, there is currently no debt outstanding related to the sewer system and it bears repeating that the Borough lost approximately \$800,000 per year of revenue that could have been utilized for capital improvements in connection with the Pfizer/Wyeth property.

The five year capital and maintenance plan for the sewer system has been reviewed, and the Borough is commended for the practice of annually updating the plan. The current capital improvement plan includes the amounts below expected to be spent on capital improvements to the sewer system.

2018	2019	2020	2021	2022
\$400,500	\$755,000	\$940,000	\$660,000	\$500,000

Recommendations

- Because it has been over five years since the Sewer Rate Study was completed, a new rate study should be commissioned by the Borough to assess the adequacy of current rates to support necessary upgrades or replacement of sewer mains, conveyance system and treatment plant equipment. To the extent that significant near-term rate increases may be required, the rate increases can be used by the Borough to either implement such rate increases so that it can take on the necessary capital improvements or, the Borough may wish to explore conveying or selling these responsibilities to a regional sewer authority or regulated utility.
- A Capital Improvement Plan (“CIP”) should be developed by the wastewater staff and outside engineers or included with the rate study recommended above.
- Once a comprehensive CIP is prepared it should be reviewed by the Borough’s financial advisor so that a capital funding plan (including pay-as-you go and debt financing) can be

analyzed and ultimately an optimal capital plan with funding sources can be developed for the Borough. This plan should be updated periodically as the Borough implements upgrades and improvements. Pay as you-go-capital should be built into the rate base along with a revenue stream to generate a capital reserve for the wastewater operations.

- The Borough should develop a policy for funding and maintaining an operating reserve for sewer operations. This is consistent with rating agency guidance and best practices. Sewer billing is tied to water usage and there is “usually some fluctuation in cash flows due to seasonal demands, the amount of precipitation” or “other customer trends”.⁴

Monetization

In light of the potential need for rate increases to stabilize operating results, the likelihood of even greater rate increases that will be necessary for capital replacement and improvements in the future, and some of the advantages the private sector currently enjoys, the Borough may wish to consider a sale, concession or lease of the sewer system to another regional municipal authority or to a regulated utility. A growing number of municipalities have been offering for sale, lease or concession, their wastewater and drinking water assets during the past year or two. Examples include:

- City of Allentown (Closed in 2013)
- Middletown Borough (Closed in 2014).
- City of Scranton (Closed in 2016).
- New Garden Township (expected to close in 2018).
- City of McKeesport (closed in 2017)
- Limerick Township (expected to close in 2018)
- Exeter Township.
- Valley Creek Trunk Sewer System.

The general observation among participants in these transactions is that a relatively new Pennsylvania law - Act 12 of 2016⁵ - has resulted in higher prices being paid to the selling

⁴ See, Key Water and Sewer Utility Credit Ratio Ranges, Standard & Poor's Rating Services.

⁵ Act 12 provides a methodology for determining fair market value of the Authority's Sewer Assets based upon an engineering study and original costs of the assets depreciated.

municipalities⁶. In addition, Act 11 of 2012 allows regulated utilities to spread capital costs across a wider tariff area than the municipality could and to impose a DSIC charge (as described in footnote 3) thus mitigating rate increases where significant capital investment is required. The combination of these two Pennsylvania laws, coupled with current interest by investor owned utilities, is responsible for fueling a trend towards exploring monetization of public utility assets. In addition, with Aqua America Pennsylvania providing drinking water services to the Borough, there would likely be some attractive efficiency that could create a greater opportunity for the Borough that might be worth exploring.

If a monetization were to be of interest to the Borough, we would encourage the Borough to thoroughly examine the benefits/costs to the Borough and to the sewer systems users. Benefits include having a third party undertaking much needed repairs, replacements and improvements to an aged system, while spreading the costs out over a much larger rate base and over a longer time frame. De-linking the political decision of raising rates from the decision as to proper maintenance, improvement and replacement has some benefits in terms of providing a safe, sustainable utility system for the residents of the Borough. The costs include the fact that regulated utilities need to make a profit and thus may raise rates higher than the municipality might have over the long run.

Finally, the Borough should explore monetization in the context of what it could do with upfront proceeds paid to it as a result of a sale, long term lease or concession.

Asset Value

In order to ascertain whether a sale or concession might be worthwhile, the Borough will first need to have a firm understanding of the potential value of the sewer system which in turn will require it to have a grasp of details about the assets in the sewer system including a description of size and material of pipe, pumping stations and treatment facilities, original cost and placed in service dates. We have reviewed records provided to us by the Borough indicating that the original cost of the sewer assets is on the order of \$37.1 million and the original cost less depreciation is on the order of \$12.5 million. In reviewing records of transactions that have proceeded through the Act 12 process, the buyers are paying between 1.1 and 1.3 times the original cost of the assets and between 1.4 and 1.6 times the original cost depreciated. This will

⁶ See Moody's Investors Service – *Pennsylvania municipalities and investor-owned utilities to benefit from legislation*, July 14, 2017. That being said, while larger than expected upfront payments to municipalities may be perceived as a good thing, utilities will tell us that this will put pressure on them to raise rates in the future to recoup their upfront payments.

give the Borough an order of magnitude it might expect to be in if it sought a sale of sewer assets. Strategic interest, economies of scale and good will could result in additional sewer system value but the Borough would not really know how much its sewer system is worth until it undertook a request for proposal process.

Potential Uses of Upfront Proceeds

The Borough is rated AA by Standard and Poor's. In a 2016 report issued in connection with the Borough's most recent public debt issue, Standard and Poor's states that "a credit weakness of West Chester is its large pension and OPEB obligation" ...without a plan in place that they think will adequately address it. The rating agency points out that the police pension and non-uniformed pension are funded at 75% and 73%, respectively. "Very weak debt and contingent liability position, with debt service carrying charges at 1.9% of expenditures, net direct debt at 94.4% of total governmental fund revenue, and a large pension and OPEB obligations and lack of plan." The foregoing statements point the Borough to focus its attention on addressing pensions, OPEBs and its long term indebtedness in order to maintain its AA credit rating.

In other jurisdictions, legal counsel has been employed to develop a trust and escrow agreement as the vehicle to define uses for expenditure of proceeds of a monetization and to allocate the funds amongst various uses. If the Borough determines to sell or enter into a concession for its Sewer Assets, we recommend that the Borough develop such an agreement memorializing the policy decisions surrounding uses and allocation of proceeds, incorporating various controls over disbursement of proceeds and determining the extent to which such escrow should be audited or reviewed by its accountants.

- Pension Super Funding. The City of Allentown and the City of Scranton both used some of the proceeds from an asset monetization to "super fund" their under-funded pensions. Such super funding, could potentially increase the funded level of the Borough pensions, and perhaps more importantly, reduce the Borough's annual Minimum Municipal Obligation ("MMO") payment thereby reducing this recurring expense and improving its general fund operations. The Borough's actuary (Mockenhaupt Benefits Group) could be asked to calculate the amount of funding necessary to increase the Borough's pension funding level to 85% or 90% of

calculated liabilities, and in turn how much that would reduce the Borough's MMO on the next calculation date. According to the 2016 Pension Report, the Net Pension Liability for the Uniformed Plan was \$8,318,695. A super-funding of approximately one half of that amount or \$4.15 million would likely be feasible as a result of a monetization. According to the 2016 Pension Report, the Net Pension Liability for the Non Uniformed Plan was \$4.5 million. A super-funding of approximately one half of that amount or \$2.25 million would likely be feasible as a result of a monetization. In addition, the assumed rate of return on the Borough's pension funds is currently 7.5%. On a national level, the trend is to reduce the investment return assumption for a variety of reasons, none the least of which is that the lower the interest rate assumption, the less volatility the Borough will experience in its MMO when stock market fluctuations inevitably occur. Mockenhaupt could be asked for an estimate of how much each \$1 million of additional superfunding would "buy down" the assumed rate. The Borough might consider buying it down to somewhere between 6% and 7% assuming sufficient proceeds are available from a monetization.

- Other Post-Employment Benefits. The Borough may also wish to create an OPEB Trust to fund this long-term liability. According to the 2016 Audit Report the Net OPEB Obligation at the end of 2016 was approximately \$2.7 million. There are only a few municipalities in Pennsylvania that have created and funded OPEB Trusts. Doing so could help address another weakness called out in the Standard and Poor's report. Coupled with pension super funding and an assumed rate of return reduction, an OPEB Trust could help the Borough obtain a rating upgrade sometime in the future. Earlier in Fiscal Year 2018, Borough Council approved the use of any net "revenue carryover" funds to pay down OPEB. We recommend that an OPEB Trust Agreement be drafted; there may be some budgetary and credit advantages to so doing, once funds are available for deposit.
- General Obligation Debt. Another option would be to rank all of the Borough's callable general obligation debt in reverse order with highest coupon (interest rate) ranked first. The proceeds of a monetization could be used to buy down the Borough's debt load and reduce its annual operating expenses relating to general

obligation debt service. The Borough could ask its financial advisor how much the general fund debt service obligations could be reduced for every \$1 million made available through a monetization, and what the maximum amount of benefit might be if the money were made available in 2019 (i.e. how much general obligation borrowing is subject to current refunding prior to the end of 2019). Fixed rate general obligation debt reduction is a long term fixed savings⁷ and should be given due consideration.

- **Parking Garage Debt.** Cash defeasance or repayment of debt related to parking garages used by West Chester University (“WCU”) would not have a beneficial impact on the general fund of the Borough unless the agreements with WCU were modified to give some value to the Borough for reducing the operating expenses of the garages. Cash defeasance or repayment of parking garage debt used exclusively for the Borough could reduce the expenses of the parking operation and thus have a positive impact on the general fund contribution to the Borough from parking.
- **Other Uses.** Other municipalities consummating an asset monetization have used proceeds to establish a rate stabilization fund to defray rate increases into the future, a tax stabilization fund, fund economic development initiatives and infrastructure projects including storm water needs, etc. To the extent that the Borough has additional parking needs and it paid cash for additional parking lots or garages that generated revenue that could go directly to the bottom line. In addition, to the extent that the Borough paid for improvements using proceeds of a monetization instead of increasing the Borough’s debt load, these types of initiatives could also be considered.

If the Borough wishes to explore monetization of its sewer system, we encourage the Borough to balance achieving several of the foregoing goals but to avoid putting too much pressure on increase in sewer rates. The reason why some municipalities find an asset sale to be more desirable than a concession or lease is that if they have large mandated costs through a consent order or otherwise, or a large capital replacement or improvement plan, the private sector does have some advantages.

⁷ As opposed to pension reduction which may be assumed to be savings at the assumed rate but is variable due to market fluctuations benefit structure and actuarial assumptions that may change.

As alluded to above, a private utility can spread their capital costs over a much larger rate base, and over a much longer period of time than the municipal sector. Thus, rate increases can be spread over time and sometimes reduced by virtue of some of the advantages the private sector may have. For instance, because public bidding requirements can add costs to public construction projects, the private sector can often build larger scale projects for less money. Some of the personnel that participate in billing, collections, customer service and even engineers and maintenance can work on both the water and sewer assets thereby reducing the overall costs of operating the utility. Because the Borough already has private water service and sewer rates are billed based upon water usage, there could be further economies of scale.

Conclusion

Monetization of the Borough's sewer assets may be worth considering for one or more of the following reasons:

- Protect the Borough from some of the operational risks of regulatory mandates and/or the cost of future capital replacement and improvements.
- Spread rate increases for the foregoing across a longer time horizon and far greater rate base.
- Superfund Pensions to approximately 85% funding level, decrease MMO by hundreds of thousands of dollars per year and reduce impact of stock market volatility on MMO.
- Fund an OPEB Trust. As noted previously, Borough Council has recently approved the use of any net "revenue carryover" funds to pay down OPEB obligations. This would be supplemental to the revenue carryover funds.
- Pay down general obligation debt thereby decreasing general fund operating expenses.
- Pay down non WCU parking debt thereby decreasing expense of parking operations and increasing cash contribution from parking to general fund.
- Create and fund a tax stabilization account.
- Create and fund an economic development and infrastructure account.

Recommendations

- Contact Borough Actuary and have that firm quantify the monetary deposit necessary to achieve a certain pension funding level increase, and/or MMO decrease along with a

reduction in the assumed rate of return. For instance, using the above examples, how much would the Borough need to deposit to increase the funding levels to 85% on each of the pension plans, and to reduce the assumed rate of return to 6.75%? What would that reduce the Borough's MMO to the next time it was calculated based upon current assumptions?

- The Borough may wish to consider whether to develop a request for information and indicative quote relating to the sewer assets, circulate it to regulated utilities, regional authorities and other interested parties, to ascertain whether the goals above may be realized and to gauge the level of interest.
- If desirable, using information learned from the above recommendation, the Borough can put together a team comprised of experienced transactional lawyers, labor counsel and a financial advisor to develop an RFP that details options being sought (e.g. long-term lease, concession agreement or outright sale).

Parking Assets

The Borough owns the majority of the more than 4,000 pay parking spaces in the Central Business District and the WCU area. In 2015, 2016 and 2017 the parking system transferred to the general fund of the Borough \$1,434,000, \$195,194 and \$1,500,000⁸, respectively. This section is devoted to some areas which could result in a net contribution increase to the general fund of the Borough.

West Chester University Garages

Certain garages were financed and built by the Borough and leased to WCU (Sharpless, Matlack, New Street and the Student Recreation Garage, collectively referred to herein as the "University Garages"). For the University Garages, WCU pays the debt service and operating costs and receives the net revenue. Therefore, in the absence of modification of the contract terms, or the interpretation of such terms, there is very little upside to the Borough in reducing expenses including debt service, or increasing revenues relating to these garages. The management of the University Garages is currently being undertaken by Imperial Parking, LLC (US). There has been discussion recently about transferring ownership of the University Garages back to WCU and removing the Borough from the existing arrangement. In the interim, the

⁸ Budgeted.

Borough should carefully review the existing memorandum of understanding and take steps necessary to ensure that the Borough is receiving everything it is entitled to receive towards covering its costs (administrative and management fees) prior to paying “net revenue” to the University. If the 2006 and 2012 agreements are now inadequate, the Borough should take steps towards negotiating appropriate revisions. The Borough should not be subsidizing the University Garages from its General Fund or Parking Fund in connection with operation of the University Garages and in fact, in light of the Borough’s contribution to the approval, financing construction, operation, maintenance and improvements to the University Garages, are arguably entitled to a reasonable ongoing fee.

Recommendation:

The Borough should have the MOUs between WCU and the Borough reviewed to ensure that the Borough is receiving the appropriate level of reimbursed expenses (including administrative and management expenses). To the extent that the Borough could reduce staffing needs through attrition, as a result of transferring the University Garages to WCU, the Borough might be able to save some money in connection with insurance, pension and OPEB costs. This would need to be further explored. Otherwise, the Borough should consider sitting down with the University and renegotiating the existing fee structure between the Borough and the University with the aim of providing reasonable compensation on a monthly to the Borough.

Borough Garages

Management of the non-University lots and garages is also undertaken by Imperial Parking, LLC (US). From the audit reports and the budgets reviewed, it is difficult to ascertain how much of the salary and benefits being paid by the Borough are going to Impark and how much is going to Borough employees, but in light of the economics of the University Garages and the fact that all the garages are being professionally managed, there would appear to be some room for expense reductions with respect to the Borough Garages.

In other jurisdictions, the management contract for garages and lots is overseen by no more than one full time professional and the employees can become employees of the parking management company. According to the current Director of Parking, the personnel in the parking department include a Director, Assistant Director, eight enforcement officers (two, part-

time), and three customer service representatives. In light of changes to on street technology and enforcement, the Borough may wish to downsize the number of employees they have in this operation through attrition. In the event the University Garages are transferred back to WCU there would be even less work for a full time employee of the Borough and thus a more compelling reason to cut costs.

Recommendation

Have Director undertake a staffing review and make recommendations in light of changes over the past year or so regarding the proper staffing level. Downsize through attrition if possible

Rate Structure, Permits, Demand

The Borough retained the services of Desman Design Management to assess, among other things, the existing parking conditions future parking conditions, parking demand/supply solutions, on street parking management, residential parking program, parking zoning policies and Community Development Strategies.

The initial report by Desman was presented at a Parking Committee meeting on November 10, 2016. Then on March 17, 2017, Desman submitted a draft of its Master Parking Plan for consideration by the Borough. More recently, Desman presented a parking financial analysis dated November 9, 2017 and at a work session in Spring of 2018. Because Desman has been focusing on a wide variety of operational issues including demand, rates, etc. we will not replicate any of their work.

The issues identified in the Desman assessments are somewhat common where there is a vibrant central business district and on-street and off-street parking as well as permit parking that need to be managed. The foregoing is coupled with heavy demands by WCU faculty and students. The Desman reports provide ample options to be considered by elected officials to address the concerns of residents, the WCU, businesses and visitors.

Recommendation

Do not let the Desman Studies lie fallow! Follow through with important policy decisions and implement those that work for the Borough as a whole. Once the Borough has reviewed the entire Early Intervention Plan, and PEL receives feed-back concerning the Borough's interest in

pursuing the recommendations, PEL can work with the Borough and its parking consultant to: i) develop a work plan, ii) help prioritize the on-street and off-street changes, and iii) develop a schedule for implementing them over time. This may be pursued as an additional phase to our work if desirable.

Parking System Contribution to General Fund

The parking system has a significant amount of debt associated with the assets that has been used to finance various improvements through the years. The Borough's financial advisor monitors the debt, whether it is callable and whether savings could inure to the Borough (the new tax laws enacted at the end of 2017, eliminated the opportunity for the Borough to implement an advanced refunding for savings). The Borough does not benefit from reducing the debt service through refinancing of the debt related to the University Garages as the WCU pays the debt service and receives net revenue.

It would appear to make sense for the Borough and the University to re-align their incentives within their agreements so that to the extent that the Borough is able to reduce the operating expenses on the WCU garages, the Borough receives value equal to a percentage of the benefit added (e.g. a percentage of any reduction in expenses to the University). To the extent that Borough garages can reduce expenses through the refinancing of debt, the financial advisor to the Borough should be encouraged to bring such opportunities to the Borough.⁹ In addition, if the Borough proceeds with a monetization of the sewer assets, the Borough's financial advisor can be used to optimize application of up front proceeds to reduce outstanding parking debt if the cash flow improvement to the general fund outweighs the benefits of using the same proceeds for funding OPEB Trust or pensions, or paying down other debt of the Borough.

This analysis would be comprised of ranking all debt by interest rate being paid (coupon) and then thinking through the opportunity cost of paying down debt, versus making a deposit to the pension funds or OPEB Trust. While the assumed rate of return on the latter will almost certainly be in excess of the coupons on the bonds, the Borough and financial advisor should take note of the fact that the investment portfolios for pensions or OPEB Trusts are not guaranteed, can be volatile in terms of return, the minimum municipal obligation may not be

⁹ This would also be true for the University Garages if the University would be willing to share the expense reduction with the Borough.

reduced for a few years after superfunding and there is not guarantee that any reduction will last longer than two years. With fixed rate debt reduction there is a guaranteed reduced budget expense each year the debt would have been outstanding that will inure to the benefit of the general fund budget. The same is not true of pensions and OPEBs so deciding on the “cross-over” point between debt and pension funding is not cut and dry and should be carefully thought through.

Recommendation

Obtain value from high credit rating and continued relatively low interest rates through monitoring of refinancing opportunities. As to University Garage debt, if the WCU does not buy the lots and garages back, amend agreements so that Borough obtains some payments to incentivize reduction of costs to WCU.

On-Street Metered Parking

According to the Desman Studies, there are 556 on-street metered spaces. The Borough manages enforcement, collections and maintenance of the on-street operations. As mentioned in the Desman Study, multi-space meters might be a worthwhile investment to increase the number of metered spaces, reduce street clutter and eliminate some of the chicanery such as using other people’s meter time or shuffling vehicles around to utilize on street parking for long term use when such cars should be parked in garages or lots.

Recommendation

Consider changes to the staffing model, investment into multi-space meters, investment into license plate recognition technology, etc. particularly if doing so could reduce expenses such as meter maintenance, meter replacement or meter operating costs. Providers of multi-space pay stations can be queried about whether a reduction in enforcement staff over time, through attrition should be expected through utilization of these technologies.

CHAPTER 6 LABOR REVIEW

Introduction

Compensation and benefit expenses are the largest portion of the Borough's operating expenditures. Controlling those costs are important to controlling the Borough's rising expenditures. Since a majority of the Borough's employees are represented by two unions, the Brotherhood of West Chester Police ("BOP") and the American Federation of State, County, and Municipal Employees, Local 2304 ("AFSCME"), many of the necessary changes must be collectively bargained with the appropriate union.

As is typical in municipal government, police compensation and benefits comprise a majority of the Borough's personnel costs and are a very influential component of the Borough's operating budget. However, regardless of the employee classification, wages are not the most concerning of the expenses that must be controlled in the future. The Borough's benefit and legacy costs, pension and post-retirement costs, are the key employee costs that must be controlled. The Borough has already commenced negotiations with its unionized employees to seek the necessary changes. The Borough should be aware that it is not likely that the necessary changes will occur in one bargaining cycle; however, the Borough should retain special labor counsel with a significant and proven track record of success in Pennsylvania public sector labor law in order to begin negotiating changes for all collective bargaining agreements (CBA) (and to arbitrate such changes, if necessary, with respect to uniformed bargaining units) at the earliest possible time in order for the Borough to begin to contain employee expenses without the need for layoffs or other similar cost containment measures.

Employee Benefits Overview

Health Insurance

The Borough provides health insurance to its police and non-uniformed employees through the United Healthcare plan entitled ASO Choice Plus HSA West Chester Borough Medical Plan. As a cost saving measure, the collective bargaining agreements with both bargaining units allow the Borough to secure alternative healthcare options after consultation and consent of the union, which shall not be unreasonably withheld. Each bargaining agreement allows employees to opt out of the Borough provided health plan, provided they provide proof of

alternate coverage and in return for a significant payment but one that is less than the Borough spends for the plan premium.

Police officers also have the right to receive post-retirement health benefits after retirement until the officer qualifies for Medicare if the retired officer has coverage through other employment. The retired officer may also buy coverage for his or her spouse and qualified dependents, if the carrier so permits. Non-uniformed employees do not have the right to post-retirement health benefits, but they are permitted to buy coverage for their spouse if the carrier permits.

The cost of retiree benefits for police offices has resulted in an unfunded Other Post Employment Benefit (OPEB) actuarial accrued liability of more than \$4.1 million and an annual required contribution (if funded) of almost \$400,000. Since non-uniformed employees do not receive such benefits, there is no OPEB cost for those employees.

Pension Benefits

The Borough administers pension benefits for its employees in the form of two defined benefit (“DB”) plans, one for police and one for non-uniformed employees hired prior to January 1, 2014. There is also a defined contribution (“DC”) plan for non-uniformed employees hired after December 31, 2013.

Employees in the police pension plan receive benefits consistent with Act 600, including several optional benefits, such as retirement at age 50 with 25 years of service, a 12-year vesting provision, a service increment, and a cost of living increase (COLA). The contribution rate for police officers is three percent (3%). The non-uniformed pension plan is closed to new participants hired after December 31, 2013. For those hired before that date, the plan provides normal retirement at age 65 with five years of service and early retirement at age 55 with 10 years of service. The benefit is based on 2% of final average salary averaged over a 60 month period during the employee’s final 10 years multiplied by the years of service. The contribution rate is 2.5%.

The Borough’s funding obligation for the defined contribution plan in 2017 was approximately \$56,000. However, the funding obligation for the police and non-uniformed DB

plans was significant; with the funding obligation for the police DB plan more than double that of the non-uniformed DB plan. The non-uniformed DB plan funding obligation was \$784,660. The police DB plan funding obligation was \$1,692,101. It is important to note that if that this amount could increase, perhaps significantly, if the Borough updates each of its pension Plans' valuation parameters.

As discussed further below, the funding status of the Borough's pension plans is not good which places a strain on the Borough's general fund and the tax payers. Based on the currently available data from the Pennsylvania Department of the Auditor General ("DAG"), the police DB plan was only 66.8% funded while the non-uniformed DB plan, which was closed to new participants in 2013 but still needs to be funded, was 63.7% funded. Act 205 provides a score for each municipality based on the aggregate funding status of the municipality's pension plans. If a plan is funded between 70% and 89%, it is deemed to be in Level I distress, or "minimal distress under Act 205.¹ If a plan is funded between 50% and 69%, it is deemed to be in Level II distress, or "moderate distress" under Act 205. If scored individually based on the above funding percentages, the Borough's police and non-uniformed plans would fall in Level II distress as they would in the aggregate as well. The DAG noted that it was "extremely concerned" about the funding status of the Borough's pensions.

Although not recognized for many purposes under Act 205, the Borough's 2017 Financial Statement for the police and non-uniformed pension plans noted that the police DB plan is currently only 75.5% funded; the non-uniformed DB plan is only 75.6% funded. Although such a finding status would be deemed to be a "minimal distress" level under Act 205, both plans are in approximately the lower third of that distress level. While such a funding status is not unusual in the Commonwealth, the Borough should take no solace in that fact. It is tempting to compare pension plan funding levels to other plans around the Commonwealth, but doing so is of little value for several reasons. First, Pennsylvania has so many different types of municipal entities that fall into a variety of classifications, i.e. first, second and third class cities, first and second class townships, boroughs and authorities, and the plans in such different

¹ Although the phrase "minimal distress" or "moderate distress" designation appears to be an oxymoron, it is the language used in Act 205.

municipal entities might be created under different laws. Second, each such entity faces different economic challenges and each plan contains different demographics and conditions that impact the past, present and future funding status of each pension plan. Third, the funding status of a pension plan in a neighboring municipality, let alone one across the Commonwealth, is of little concern to a municipality that must fund its own plan, regardless of the condition of other plans.

Thus, the Borough needs to address its own concerns. Further, the focus on pension must be consistent over multiple contract terms. While the pension fund might have had a good year last year, the focus needs to be on the health of the pension fund over the long term. The fund has had good years before, but those years are offset by bad years. Thus, the fund should be over funded in order to be able to absorb those bad return years without costing the tax payers.

EIP Team Labor Recommendations

A. Establish an Overall Bargaining Strategy and Pattern: The CBA's with the Borough's bargaining units reflect a cost containment strategy with respect to each bargaining unit, but it is recommended that the Borough develop an overall fiscally responsible collective bargaining strategy that sets a pattern for all of its bargaining units for the future. This strategy must be based on the Borough's overall fiscal outlook, but the Borough's OPEB and pension funding obligations landscape alone does not provide the Borough with leeway to expand or increase benefits or salary. Regardless of what was done in the past, legal, benefits and financial experts must be fully utilized to assist the Borough in adjusting benefits and compensation going forward. The Borough's compensation and benefits are generous and steps must be taken to insure all public services are sustainable going forward. The Borough has stated that it is already reviewing benefits for all employees to determine ways to lower costs.

The Borough's fiscal condition as well as the current healthcare landscape also suggests that either any collective bargaining agreement must be kept to the shortest possible term or that healthcare reopener provisions must be incorporated into the CBAs. Such a strategy will provide the Borough with flexibility to contain costs on an ongoing basis and achieve the mandated cost reductions and controls in order to achieve much needed flexibility and avoid a reduction in services.

B. Benefits Audit: The Borough should conduct a thorough benefits audit to determine the total level of benefits provided to each bargaining unit and the real cost of such benefits. The audit must also analyze the total cost of all compensation and benefits provided to each bargaining unit and look for other providers that can offer similar benefits in a less expensive manner or structure.

a. Health Care Options: The Borough must also address health insurance costs. The Borough must reduce this cost through a combination of plan restructuring and employee cost sharing. Employee cost sharing is a reality in today's work place for all employees, uniformed and non-uniformed, but it is not a preferred option from a cost perspective because unless the cost sharing is significant, it does little to defray costs. Plan redesign which includes increased deductibles and co-pays which are paid in large part by the employee is the best option to lower costs in today's healthcare market and to avoid the possibility of being subjected to the Cadillac tax in 2022. It is becoming more and more common for employees in both the private and public sector to contribute to the cost of their own health insurance, but unless such contributions are significant, they do not provide much cost relief for the tax payers.

The Borough should also research and shop for less expensive benefit plans and approach union leadership to discuss alternative health insurance plans available to the membership as is permitted by the current CBA language. The Borough may be able to achieve savings by substituting existing plans for less expensive packages that provide similar coverage. The Borough appears to have done a good job in maintaining health costs relative to the industry but a renewed focus will be necessary in the future. A new array of benefit choices and cost sharing options should be investigated to allow employees to select a less expensive health care plan with lower cost sharing obligations or more expensive plans with higher cost sharing. The multiple options would allow the Borough to provide several plans with different plan designs from which the employees can choose depending upon their needs and cost sharing preferences. A defined

contribution approach to health care should also be investigated so that the Borough would provide a sum certain or stipend to employees to purchase the benefits offered by the Borough. The stipend should be the maximum that the Borough would pay for health benefits for each employee, regardless of the plan chosen by the employee.²

- b. Affordable Care Act Implications: The health care portion of the audit should be conducted with a special focus on the potential impact of the so-called Cadillac tax in 2020 and the impact of other fees, costs or excise taxes in the Affordable Care Act (ACA). Many public employers are finding that the plans they offer either are now, or are certain to be, subject to the Cadillac tax in 2020. This potential liability cannot be overlooked. Options have to be developed to insure that the Borough's plans are not subjected to the Cadillac tax and that the Borough is not responsible for paying the tax in addition to all existing and future health care costs. Any such provision should not be limited in time or by language requiring the tax to be imposed by any certain date. The provision should provide a safeguard against the Borough being subjected to the Cadillac tax in any given year and under current or future healthcare reform legislation.
- c. Eligibility Audits: Eligibility coordination rules for employees who have access to health care elsewhere should be developed for all employees and retirees. Periodic eligibility audits should be conducted. The audit should also ensure that the Borough has coordination and carve outs for certain contingencies. If an employee can get comparable coverage elsewhere or his or her dependents can do so, the Borough should not be obligated to provide coverage. Having this option is useful, but its utility is limited if there is no effective periodic audit or enforcement procedure in place.

² The Borough already participates in a health insurance purchasing cooperative designed for public employers, including counties, municipalities, authorities, regional municipal entities, and school districts. This approach stabilized health insurance premiums for many municipalities, but the Borough should remain vigilant to see out similar opportunities for even more stable premiums and cost savings which also provides flexibility and transparency in terms of costs and the manner in which premiums are calculated, which is essential for the Borough and its tax payers.

- d. Post-Retirement Health Care: The same ideas should be applied to post-retirement health care, which currently is only available to police. Although legal obstacles may be raised by the POB, creative ideas should be evaluated. At the very least, the Borough should pursue the elimination or significant reduction of such benefits, particularly for new hires, and consider requiring retirees to pay a meaningful contribution as a condition to receiving retiree healthcare. It is recommended that under no circumstances should this benefit be expanded for current employees. It should be eliminated or significantly curtailed for new hires. Further, the Borough should consider mandating that this costly benefit for current employees be available only for employees who reach a minimum age and service over and above the superannuation requirements. Consistent with the foregoing, the provision that an officer who retires after only 20 years of service gets full post-retirement medical benefits should be eliminated. The Borough also should seek and retain the flexibility to change post-retirement health benefits under certain criteria. At the very least, such benefits should change with those of existing employees.
- e. Early Retirement Incentive for Police: This provision provides a payment into an HRA if an officer retires between 20 and 25 years. The amount of the payment is highest at 20 years of service and decreases as the officer approaches 25 years of service. As noted elsewhere, these officers also are eligible to receive post-retirement benefits. While this is a clear incentive to retire early, the issue is whether it has resulted in costs savings or some other purpose. Whether this benefit is subject to abuse should also be examined. This appears to be a costly benefit, and it should be carefully analyzed and, depending on that analysis, eliminated. It also appears that the Borough provides the same post-retirement benefit to officers who retire early as it does for officers who retire at the normal age and service date (Article 42). This is costly and potentially adds to the cost of post-retirement benefits. It should be carefully reviewed and, depending on the results of that analysis, eliminated.

- f. Pension Benefit Changes: The Borough appears to have reduced the pension contribution requirement for the police to 3% but the plan is only, at best, 75% funded. In the Act 205 Compliance Audits performed by the Department of Auditor General (the “Auditor General” or “DAG”), the DAG warned that it was “extremely concerned” with the funding level of both the police and non-uniformed pension plans. As noted above, at that time, based on the January 1, 2013, financial information for each plan, the DAG noted that the police plan was 66.8% funded and the non-uniformed plan was 63.7% funded. The DAG noted that the Borough pension plans were Level II distress under Act 205. As noted above, the year-end 2016 financial statement for each plan reflects a funding level of approximately 75.5% for each plan, but that level still reflects a Level I distress grade. While the funding status of the plans appears to have improved, the current funding level of each plan and distress score still mandates that steps be taken to control pension costs and eliminate costly benefits.

Under no circumstances should new benefits (or methods of paying existing benefits, i.e. a DROP) be added to the plans. The focus should be on controlling or eliminating existing benefits for new hires and possibly current employees, not adding to such benefits. All pension plans should be reviewed to determine what benefits, if any, can be reduced for current employees or eliminated for future employees. Under the current law, the Borough is somewhat limited with respect to pension benefits for uniformed personnel. The Borough has already taken a significant step to control the pension costs for non-uniformed personnel by ending new participation in the non-uniformed DB plan. While the Borough took decisive action to close the non-uniformed plan to new participants as of January 1, 2014, the current participant still only contribute 2.5%. The Borough should consider and review raising both contribution rates to the highest level permitted by law or the Borough should seek from the bargaining unit a concession equal to the cost of that contribution. From the information reviewed, the Borough has maintained less than maximum pension contribution levels for

police officers as well. In light of the current funding status of the plan, this should not continue.

The Borough should also make sure that no lump sum payments or overtime are included in any pension calculation, and the Borough should research eliminating the COLA and service increment for current employees. At a minimum, no new benefits should be added in the future until it is clear that any such new benefit will not reduce the pension plan's funding percentage to below 100%, while also leaving a cushion for any downturn in the investment market. Such an approach will allow the Borough's finances and the taxpayers to benefit before further costs are added. For example, any increase in pension benefits or method of paying existing benefits should be conditioned upon a clear and certain significant reduction in OPEB or other costs. Improving the funding status of the pension plans and lowering the Borough's annual will take time, but future public services should not have to be reduced to fund pension or other legacy costs.

- g. Pension Benefits for New Hires: In addition, the Borough should consider starting a new pension benefit structure for all newly hired employees limited to the minimum requirements of Act 600 and the maximum pension contributions. While the Borough is restricted in terms of the minimum benefits provided to uniformed employees, a new minimum benefit structure should be developed. The Borough has already taken such action with respect to its non-uniformed employees by closing the DB plan to new participants after December 31, 2017. That same strategy cannot be used for police, but the same goal should be pursued as discussed above. It should be noted that the minimum benefits under Act 600 offer generous retirement benefits, even without the addition of any optional benefits.
- h. Pension Administration: The Borough has implemented new pension procedures and financial controls. Those procedures were implemented by the new administration in 2015. While there was an issue with the non-uniformed plan several years ago, which appears to have been minor, the new administration has taken corrective action. Based on the most recent DAG reports, there are no

current pension administration issues. The administration should be commended for taking action. It is important to maintain the corrective internal controls that were implemented.

- i. Job Descriptions: The Borough has a job description manual. The descriptions are detailed, but the manual was last updated in 2009 or earlier. The Borough should regularly review job descriptions to ensure they are accurate and that all job positions are properly classified. It is not uncommon for the duties of a position to change over time, which could impact the rights and obligations of the Borough under applicable labor, employment and compensation laws. The structure and detail of the job descriptions appears to be in a proper and useful format.
- j. Employee Policy and Procedure Manual: The Borough maintains a comprehensive personnel handbook but it should be updated, which the Borough plans to do in the following year. The handbook should be a priority. It should apply to all employees, while carving out represented employees to the extent the handbook conflicts with collectively bargained language or other bargaining rights. While a comprehensive legal review of the content of the handbook is beyond the purpose of this report, the handbook appears to cover all of the essential policies. One issue that should be addressed in any future revision is to not repeat the terms of benefits such as pension or healthcare benefits or the terms of any specific CBA. Instead, the handbook should contain appropriate references and incorporation of the benefit Plan Documents, booklets and descriptions that are provided to employees. Clarification language should be used to avoid any conflict with CBA terms. This will eliminate having to constantly reissue the handbook when policies or terms change and will avoid potential confusion or conflict between the handbook and plan documents. In addition, certain leave policies such as military leave should merely refer to applicable law. Further, the Borough should consider only referencing and incorporating other policies such as the FMLA or ADA policies that are contained elsewhere. The title of section 5.9 of the handbook should be changed to Alcohol and Drug Abuse Policy. The Borough should consider

updating its email policy to incorporate and address employment issues relating to internet usage, email, social media and the use of all types of devices and whether employees are permitted to use their own devices for work, and the use of devices while working or driving (which should be strictly prohibited).

k. Wages and Other Compensation: With respect to wages and other compensation, the Borough should review and consider the following:

i. Wages. A new, expanded lower wage scale for new employees, particularly uniformed employees, and possibly other categories of employees, including an elimination or adjustment of the longevity formula. This new wage scale should consist of step increases over a five or six year period until the new employee reaches the maximum salary. As explained below, this new salary structure is an important element in the overall effort to control wage growth over time.

The maximum salary should be a defined number that does not begin to increase based on the overall annual General Wage Increases (“GWI”) until an officer reaches that maximum salary. GWIs also should not apply to any of the step increases. The GWI should also not increase the maximum salary until after each individual newly hired employee reaches that level. This is a fair approach because each year the newly hired employee moves up a step and receives a salary increase. When that officer reaches the maximum salary, he or she will also receive a wage step increase. The following year that officer will receive a GWI. Thus, the newly hired officer is receiving wage increases every year. This structure will allow the Borough to better control escalating salary increases.

ii. Longevity. Freeze longevity, covert the longevity pay formula to a fixed dollar amount instead of a percentage or a combination of those two options. Regardless of the option selected, there should be a dollar cap on the amount of longevity that an officer can receive in a given year.

- iii. Overtime. The reduction of overtime costs is necessary. To achieve this goal, the Borough will have to eliminate any practice or CBA provision that mandates the payment of overtime after working a set number of hours in a day. It will also require that the Borough consider the following:
1. Adjust the overtime pay requirements to be brought in line with the minimum mandates of applicable law. This would include eliminating overtime paid for hours worked in one day.
 2. Eliminate any practice or provision that requires the Borough to count paid time off as “time worked” for the purposes of calculating whether an employee reached the applicable hours worked threshold for the payment of overtime. This practice appears in the CBA’s as well as in the Personnel Manual.
 3. Implement the public safety personnel exception contained in the Fair Labor Standards Act. This will require an evaluation of the current schedule worked by police officers. Overtime should only be paid after an officer works the threshold number of hours under section 407(k) of the Fair Labor Standards Act
 4. Eliminate premium pay for all employee groups to the extent possible. Premium pay examples include being paid a minimum number of hours for being called back into work, working overtime on a holiday, court time pay, being called out a second time while on call, or being paid extra pay while working in a position in another bargaining unit just because that employee would be paid extra (i.e. police officer working as dispatcher).
 5. Eliminate compensatory time or implement controls to insure that a significant portion of such time is not carried forward from year to year. Compensatory time allows the Borough to avoid paying overtime when it is worked, but it also can increase overtime costs when compensatory time is used. Equally noteworthy,

compensatory time actually increases overtime costs in that the accrued time is paid out at the employee's rate of pay in the future, which will be at an increased rate due to pay raises. If compensatory time is available, limitations on its accrual and use should be implemented to avoid those increased costs. Compensatory time practices appear in the CBAs and the Personnel Handbook.

6. Evaluate whether Borough staffing can and should be adjusted to cut overtime costs, reduce overall payroll expenses (including all costs of a new employee) and still save money. Determine if staffing requirements and/or limitations in any department place restrictions on the ability of the Borough to move personnel between shifts or duties as needed. Being able to shift personnel provides the Borough with greater flexibility.
 7. Each department should be allotted an overtime budget, if it has the need for overtime. For example, the police department and public works department will clearly need an overtime budget. Further, the overtime budget in each department must be carefully monitored. Each department head must seek prior approval for exceeding the allotted overtime budget. If such prior approval is not sought, the department head must be held responsible for such an overrun. The overtime practices of each department should be reviewed. All practices that result in unnecessary or excessive unplanned overtime should be addressed and eliminated.
- iv. The applicable probationary periods should be extended to the fullest amount permitted by law, no less than six months, preferably one year. The current 90-day probationary period in the ASFCME contract is simply too short but it can be extended. A longer probationary period allows the Borough to more fully evaluate employees. The same applies to the police CBA. Currently, the probationary period is six months, and it can be

extended to one year. It is recommended that the CBA and the Civil Service Regulations be extended to one year, consistent with the Borough Code.

- v. Eliminate the payout or carry over of paid time off. Carefully analyze the contract with a focus on controlling or eliminating forms of compensation that result in compounding of pay or that cause an increase of salary. This is particularly relevant if the provision results in an increase in pension liability. For example, limit the payout for unused leave time. Incentives for not using leave time that benefits the Borough should be provided. However, accruals and payout of all or a portion of unused leave time at the end of a year or at retirement merely creates an unfunded liability and a hidden increase in salary. It is also a sign that the employee group has too much paid time off. As a result, the accrual of unused leave days and carryover of leave time from year to year should be eliminated. Leave should be earned and used (not paid out or “bought back”) in each calendar year. Likewise, the vacation provisions in the police contract that allow for the carryover of vacation and the ability to save vacation for retirement should be eliminated.
- vi. Avoid the adoption of any limitation on the Borough’s need or ability to layoff or furlough employees or to subcontract services. This includes any minimum staffing requirements that would inhibit the Borough’s ability to layoff when needed. Likewise, any obligation to hire from a recall list should be limited to a one year period, particularly with police officers due to certification issues. Any employee laid off for more than one year loses his or her recall rights.
- vii. Eliminate the forfeit provision in the grievance procedure in the police bargaining unit. When the Borough does not respond to a grievance in a timely manner, the grievance should be deemed denied.

- viii. Eliminate the provision in the CBA entitled Bill of Rights. This is an unnecessary provision that can only hurt the Department and the Borough. Most of the rights in this provision are required by law and do not need to be in the CBA. Certain “rights,” however, are damaging to the Borough, the Department and the public. For example, all citizen or other complaints should be investigated to the fullest extent possible regardless of when the complaint is filed or when the alleged wrongdoing is discovered. Citizens should not be discouraged or intimidated from bringing complaints of alleged wrong doing. Further, any investigation or disciplinary action should be retained and personnel files should not be purged so that the Borough has a record of such action and so it can show that it takes action to train offices and to stop and correct wrongdoing when it happens. Such evidence could prove valuable defending against a civil rights action based on an alleged “pattern and practice” against the Borough in the future.
- l. Regionalization and Shared Services: Regionalization and shared services should be considered. Any applicable collective bargaining agreement from the new regionalized service must be carefully analyzed, however, to determine if it would reduce Borough personnel expenses. This option also includes the possibility of sharing equipment and possibly personnel in some cases in the future. The latter option could implicate the Borough’s obligation to bargain with its unionized personnel.
- m. Definition of Spouse: Section 6 of the AFCME contract defines spouse as including both “married and unmarried couples.” Marriage is defined by law as including opposite or same gender partners but we do not recommend including “unmarried couples,” regardless of gender, in the definition of a spouse. This is not a gender or sexual orientation issue. The Borough should review this issue carefully, but the current definition is too vague and open for abuse.

-
- n. Reimbursements: The Borough should review reimbursements for clothing and tools. These may be necessary, but we suggest special attention be paid to the tool reimbursement for each mechanic under the ASFCME contract and how that provision is regulated. Would it be cheaper to have Borough tools available for use and inventoried by the Borough? If the Borough does provide a reimbursement, controls should be in place to insure the tools remain the property of the Borough.
 - o. Expenditure Limits: The Borough should develop a financial plan with projected personnel costs and expenditure limits. The financial projection will be based on certain assumptions, and it will have to be updated and reviewed on an annual basis, but the projections and allocation should be made and utilized as a guide for future bargaining and the allocation of resources. The Borough should diligently comply with the plan so that it is useful for future bargaining and arbitration and informative for the taxpayers so they can see how their tax money is being spent on personnel.

DROP Discussion

Most public sector unions and some actuaries argue that a Deferred Retirement Option Plan (“DROP”) is cost neutral. The logic behind such a statement is reasonable based on the idea that officers participating in a DROP have reached their retirement age and service date (i.e. superannuation date) and thus could separate employment and receive their pension benefits directly. By that time, the benefit theoretically should be funded from an actuarial standpoint. The reality is more complicated and there are certain costs associated with DROPs. That theory does not consider many of the practical ramifications of having a DROP.

DROPs In General

Prior to the passage of Act 44 in 2009, municipalities that wanted to provide a Deferred Retirement Option Program (“DROP”) could do so and design a DROP in a manner to address many of the potential issues that cause a DROP to be a drain on the pension fund. In passing Act 44, however, which ironically was intended to be pension reform legislation, the Pennsylvania legislature imposed various requirements for future DROPs. It is important to remember, however, that there is a body of case law that states, with very limited exceptions, if the parties agree to a pension benefit, even if it is not authorized by law, the parties are bound by that agreement, at least during the term of the collective bargaining agreement. There is no reason to think that such case law will not apply to the development of DROPs; however, even though the DROP provision will be enforceable, the Department of the Auditor General (the “DAG”) could still issue an audit finding regarding any such provision. As a result, it is very important that a municipality agreeing to a DROP have language in the DROP to address any such situation.

While there are potential benefits to a DROP, those benefits are typically far outweighed by the potential costs. One benefit of a DROP would exist if, and only if, the DROP replaced the obligation to pay post-retirement health benefits. This is typically not the case, but it would be a fair exchange for the tax payers. Post-retirement health benefits are a significant cost for the tax payers and the DROP account would provide an alternate method of paying for such benefits in a fair manner. The officer would have the money to pay for such benefits until he or she is

Medicare eligible and, in many cases, would probably have money left over if the retiree chose his benefits wisely.

Potential Advantages of a DROP

While there are potential benefits to a DROP, those benefits are nebulous, at best, and generally outweighed by the potential costs discussed below:

- DROPs have been viewed as a way to encourage senior, retirement-eligible employees to stay on the job for a few more years, during which they can train and mentor the junior employees who will replace them. This potential advantage is often temporary, not overly significant and is not one size fits all in that it will vary in importance based on the size and type of police work involved in the community at issue and the demographics of the force.
- Another potential advantage of dubious value is succession planning. The original intent behind DROPs was to aid in succession planning. Critical employees who could otherwise retire could instead participate in a DROP and would continue working for the term of the DROP. In Pennsylvania, however, this benefit is limited if not eliminated because DROPs typically are available for all police offices in the bargaining unit, and not just those that provide valuable and hard to find skills. In fact, many union's in Pennsylvania argue that Act 44 does not permit this type of targeting approach, although that argument is less than clear.

Disadvantages of a DROP

As noted above, the advantages of a DROP are imprecise and hazy, at best. The disadvantages of a DROP, however, are more clear and definite and in some cases more technical and depend upon the demographics of the work force as follows:

- Loss of State Aid and Officer Pension Contributions: While participating in a DROP, the officer is deemed to be retired for State Aid purposes. Accordingly, a municipality does not receive State Aid for officers participating in a DROP.

- Under Act 44, the DROP participant ceases to pay pension contributions. This is a loss of a funding source for the pension plan and the tax payers who have to fund the plan otherwise.
- The DROP Interest Rate: One of the potential cost concerns of a DROP deals with the requirement to provide interest on the DROP account of any amount. Act 205, as amended by Act 44, provides that the “interest shall be compounded and credited monthly at the actual rate earned by the DROP participant account that shall not be less than 0% nor more than 4½% The pension plan can experience a loss if the pension plan’s return is lower than the agreed upon interest rate. Indeed, if the plan experiences a negative return, even an agreed upon zero percent (0%) interest rate in the DROP will cause a loss to the pension plan.
- Interest Compounding Issue: Act 44 provides that “interest shall be compounded and credited monthly,” it does not state annually. It remains unclear how the courts will interpret this unclear statutory language.
- Impact on Work Force and Effective Retirement Age: A DROP can lead to higher payroll costs, as senior officers are typically at higher wage and/or longevity rates than the new hires who would replace them. In addition, a DROP often leads to a corresponding impact of reducing the age at which officers will retire in order to enter the DROP, thus causing the pension fund to be subject to a draw down at an earlier date.
- Impact on Normal Cost Calculation: A DROP can also have an impact on the pension plan’s normal cost and actuarial valuation report that will result in temporary underfunding which the municipality would have to pay with interest in the future. This is a fairly technical issue, but it can result in underfunding at least for a period of a few years.
- Fiduciary Obligations: Any DROP also must clarify that the municipality is not responsible in any way if a DROP account loses value or it does not gain as much in value as it could have if invested differently. This will be unlikely under Act 44, but the provision should be included in the DROP to protect the municipality.

In fact, such an agreement should be a condition of participating in a DROP to avoid any argument that the municipality or plan's chief administrative officer is not meeting its fiduciary obligations to prudently invest funds in the best interests of the account holder.

- **CBA Benefits:** One often overlooked cost of DROPs is the fact that the municipality must continue to pay the high costs of a 25+ year employee as opposed to those of a newly hired officer. This cost difference can be significant based on salary, longevity, overtime costs health care costs, etc., and it must be closely analyzed.
- **Disability and Death:** Any DROP must deal with the possibility that the DROP participant will become disabled or die. If either happens, but particularly if a DROP participant becomes disabled, the municipality loses any benefit of a DROP. While Act 44 has provisions dealing with these issues, the municipality should negotiate other language to safeguard itself in case either scenario develops.

Conclusion

DROPs provide few benefits to an employer. It is more of a benefit windfall for employees, at the potential cost to the taxpayers. There are many important provisions that can be used to control the costs of a DROP, but they are often resisted by employees during bargaining. A municipality should not even consider a DROP without having an agreement on such issues.

CHAPTER 7 ECONOMIC DEVELOPMENT

The Borough of West Chester is seeking strategies to better support economic and community development projects and initiatives. These projects and initiatives will assist in raising the tax base, stabilizing and revitalizing neighborhoods, bringing equity to housing options, and adding to the quality of life for Borough residents.

Methodology

This study will concentrate on the Borough's 2016 Comprehensive Plan, Focus Area One: Community and Economic Vitality and Land Use. Subsections within the Comprehensive Plan overlap in this discussion and will be covered within the individual sections.

A comprehensive plan is traditionally a broad-brush road map for future development, setting the table to encourage private dollars of investment and provide guidance as to how the community views and prefers development in and around the built environment. The comprehensive plan should be a flexible "living" document that can be easily amended as necessary and should be reviewed at least every five years for additions or changes.

Neighborhood Enhancement

Discussion

The Borough has several wonderful neighborhoods, each with its own flavor and community fabric. Several have histories of long tenured families and stories for each block and house. These neighborhoods have a good street grid network and mix of housing types. The Comprehensive Plan would stabilize these neighborhoods by:

- Preserving home ownership
- Saving the neighborhood's historic nature
- Stabilizing housing stock
- Improving infrastructure
- Providing a mix of housing options
- Allowing for attainable housing in all areas of the city

To obtain these goals, the Borough can use its existing East End Elm Street Plan as a model for other Borough neighborhoods. The plan, which was written in 2005, uses the Commonwealth's Elm Street designation and approach to community development. The Elm Street approach focuses on five points: safe, clean and green; image and identity; design and appearance; neighborhood and economy; and sustainable organization. The plan provides the framework for how to design and implement a targeted approach to true neighborhood enhancement. Each neighborhood, designated by strong resident involvement and identity, should have a similar plan. An official Elm Street designation from the Commonwealth is not necessary to incorporate the Elm Street neighborhood revitalization philosophy.

East End Elm Street Plan

The East Elm Street Plan was developed with support from the Commonwealth Department of Community and Economic Development's New Communities Program. The East End Neighborhood Association was formed to implement the plan with oversight from the Business Improvement District (BID) and the Borough. Although the entity is no longer in existence as a formal group, there are interested community leaders and neighbors from the East End, specifically members of the Charles A. Melton Arts and Education Center. The Melton Center is an anchor building and property for the East End as well as a neighborhood anchor for services. The area in the existing plan is bordered by Market Street to Union Street and Bolmer Street to Matlack Street with a spur of Miner Street running to Sharon Avenue. The plan had a variety of activities that followed the five-point Elm Street approach. The East End was designated an official Elm Street program by DCED and thus can be reestablished by request with an updated plan and a new entity to oversee the implementation.

Areas of focus for the East End neighborhood include:

1. Housing Stock — although there has been a “creeping” in of new, market-rate townhome developments, there appears to be stable streets of homeownership and single family home rentals. The character and architecture of the houses are still apparent. Some were in various stages of rehabilitation. Property upkeep is evident although a few areas need to be upgraded. There are also Chester County Housing Authority units that

assist low to moderate income residents. According to Melton Center members, the East End neighborhood is rich in history with multi-generational and multi-ethnicity families.

The Grocery Store Products property is at the end of Penn Street and Barnard Street. It has been subdivided into two parcels, with one parcel proposed for housing. The use for the eastern parcel is undetermined. For both parcels, mixed income and mixed use housing options should be considered. This is an opportunity for the Borough to expand zoning there to include multi-family rental units and workforce rentals, as well as homeownership through townhomes. A mix of housing types as well as a mix of incomes will allow the neighborhood to have a diverse population, as well as a good mix of generations.

Although the eastern parcel faces the Kodish recycling facility, this should not be a barrier to housing or mixed-use development. If the western parcel is devoted to housing, the eastern parcel could be neighborhood services and retail. The Borough, working with the owner of the parcel and Kodish, could develop buffers on both properties that would shield users of the Grocery Store parcels as well as keep the recycling aspects hidden.

2. The Charles A. Melton Arts and Education Center — the center has been the anchor for the East End and for the African American community since its inception in 1918, serving as the foundation for services, outreach, and community cohesiveness. The facility is focusing on a swimming pool project and is home to one of the largest parcels of neighborhood green space in the Borough. Programming is continuing for both adults and students. During interviews, the green space along the side of the building, between Miner and Market Streets, received several comments as to use. There are a variety of opportunities to utilize that space for income producing events, such as an open air market or weddings, or as some have suggested, affordable housing.

3. The Wyeth-Pfizer Property — although not part of the former Elm Street plan, this East End neighborhood property, a former superfund site, should be considered for development projects. One of the last developable properties in the Borough, this could be a perfect location for recreation, open space, and mixed income residential options. There may be deed restrictions, so investigating the origins and reasons for the restrictions are essential for moving the property forward. Obtaining local control is

crucial to the property's future. Further discussions with the present owners could bring about the desired result for the Borough. The property could be incorporated into the existing street grid, complimenting and growing the East End neighborhood. A Traditional Neighborhood District Overlay Zone is recommended for this type of parcel that is located next to an already established neighborhood. Considerations for the overlay zone are:

- Ü Streets in a grid, preferably connecting to the existing street grid
- Ü No cul-de sacs
- Ü Mixed types of housing – depending on goals of the zone
- Ü Opportunities for mixed income housing
- Ü Placing small parks and greenspace in various locations within the neighborhood to allow for easy access in all areas
- Ü Commercial opportunities
- Ü Walkability encouraged through traffic patterns and pedestrian walk ways

4. The Rubenstein's Office Product Building — located at 250 E. Market Street; the building was recently purchased by local developer Eli Kahn. There is no recorded plan at this time. The building presents an opportunity for the Borough to introduce mixed income residential units in a mixed use setting.

Inclusionary zoning, which directs any new development in a specific zone to include a percentage of affordable units, or development incentives, such as more flexibility in height and density for a percentage of affordable units, encourage a developer to provide a set aside of affordable units. The developer can partner with affordable housing partners, such as the Chester Housing Authority or private affordable developers, to accomplish this goal. The property also offers opportunities to reshape that area of Market Street. The 200 block of Market Street has small services and commercial shops, which could be extended into the Rubenstein property allowing for a "plaza" setting with open seating areas, green space and landscaping to promote a community area, and a multi-story mixed use building with residential on the upper floors and retail and commercial on the first floors.

5. Small Business Growth — Elm Street areas generally include small, local “mom and pop” services and retail opportunities. The odd side of Market Street from Matlack Street towards Worthington offers several opportunities for mixed use residential/retail, while the even side has a Yoga café with a sandwich shop and the beginnings of a small business area. Other buildings within that area can be identified to form a great mixed use corridor.

6. Traffic Calming and Streetscapes — the end of the Town Center Zone has a lack of trees, streetscape amenities and traffic calming measures. The Elm Street area should be connected to the town center with uniformity of design. Traffic picks up at this point, racing past the 200 block of Market Street. To encourage business growth and development in that pocket, including the Rubinstein Building, traffic needs to be slowed down. Measures such as green bump outs and designated, highlighted crosswalks encourage pedestrian access. Residents are also more inclined to seek services and retail amenities if traffic is slowed.

7. Grocery Products Property — Located at the end of Penn Street, this property is ideal for mixed use housing with some service/retail amenities. The neighborhood could use health services, such as doctors and dentists, as well as small stores, retail and prepared foods. The East End, which faces Kodish, could be buffered to shield residents from the facility or place services at that end with housing towards the West End.

Hannum Avenue Corridor

The Hannum Avenue corridor is the western gateway into the Borough as well as a strong neighborhood community. The corridor has many of the same challenges as the East End, which abuts the eastern gateway into the Borough. A residential area of focus should be defined and a neighborhood plan, with the same five points as the East End Elm Street plan, should be developed with neighborhood and public input. Proposed boundaries for the Hannum Avenue Neighborhood would be New Street to Brandywine Street and Gay Street to Biddle Street. The area within those borders appears to have good housing stock and a mix of housing types. Traffic coming into the Borough should be slowed on Hannum Avenue just after Washington Street.

Recommendations

- Develop neighborhood plans for each defined neighborhood
- Involve all stakeholders within the defined area, including individual residents, businesses, non-profits, and institutions
- Make all housing options available within a neighborhood to include a diversity of income, generations and housing needs
- Preserve single family homes to keep historic architecture as well as to keep the single family home inventory high for all Borough residents
- Re-designate the East End Elm Street Plan depending on the following:
 - An entity is identified to take the lead as the Elm Street organization (such as the Melton Center)
 - The existing Elm Street plan is reviewed by the Melton Center group and public input is provided for additions and changes
 - A solid budget and timeline for activities is put in place
 - There is support from the Borough and other stakeholders with specific roles
 - The BID serves as oversight administrator for the plan in keeping with Main Street/Elm Street program goals
 - The East End Plan includes the Wyeth-Pfizer and Rubenstein Office Supply properties
 - Businesses located within the area are included in the plan, such as the DeBaptiste Funeral Home
- Wyeth-Pfizer Property
 - Resume discussions with the Wyeth-Pfizer property owners concerning Borough/Redevelopment Authority control
 - Apply to the state for cleanup funding as necessary
 - Once in control, develop a RFQ for a master site developer
- Rubenstein Office Supply Property
 - Prior to plan submission by developer, examine zoning for housing options to be included

- Discuss mixed use options with the developer and provide incentives to guide plans
- Seek affordable housing partners for mixed use, such as Chester Housing Authority
- Examine zoning for opportunities to provide attainable housing for all residents i.e. inclusionary zoning for affordable housing options with every new housing development
- Examine zoning incentives such as more flexible density or height allowances for more affordable units
- Include streetscape and traffic calming measures in each neighborhood plan
- Focus neighborhood planning on place making anchor facilities, spaces and/or institutions
- Identify commercial spaces in clusters to offer amenities in each neighborhood and keep walkability as an option to reach services and retail

Implementation

While funding is generally the basis for implementation, a successful project often involves an entire strategy of technical assistance, planning, local incentives, ease of local government permitting and processes, and funding from a variety of sources. Below are funding sources and funding partners that can aid in the success of the above recommendations. Funding and strategies will be defined separately.

Funding

1. Community Development Block Grant - CDBG

Chester County receives a CDBG block grant yearly from which the Borough can apply for a variety of activities. Most of the census tracts within the Borough are eligible (See CDBG eligibility map, Exhibit C). CDBG funds can assist with the following neighborhood activities:

- a. “Front Porch” programs for housing revitalization – grants to homeowners

- b. Rental rehabilitation programs for landlords (limit to rental rehab for single family not student housing based)
 - c. Streetscape and accessibility of sidewalks
 - d. Infrastructure
 - e. Greenspace and park areas
 - f. Bricks and mortar for buildings of significance
1. Demolition
 2. New Market Tax Credits (NMTC): a Federal Tax Credit program that assists both commercial and retail bricks and mortar projects, with no more than 80% comprising housing. Private dollars purchase tax credits to fund projects. Flexible but complicated. Census tracts must be NMTC eligible (see CDBG map Exhibit C).
 3. Housing Partnership of Chester County: Chester County programs that assist homeowners with code accessibility issues.
 4. Neighborhood Assistance Tax Credit Program: The NAP tax credit program is a DCED program that allows for private corporation dollar support of community based projects, such as an Elm Street project, in exchange for state tax credits against the corporations' state tax liability. Although the present work page for this program indicates that the program will be only open for a limited time, seek advice from the Southeast Regional Director at DCED. There are several options to secure the tax credits for eligible projects. See www.dced.pa.gov or newpa.com.
 5. Department of Conservation and Natural Resources: CNR is a great partner for greenspace, parklets, pool development or rehabilitation and for providing assistance in planning for areas, like the Rubinstein property, that may have green walkways or green traffic bump outs. See the Community Conservation Partnership Program (C2P2) at www.dcnr.pa.gov.
 6. DCED Keystone Communities: Keystone Communities houses the Elm Street Program. If the Borough plans to seek re-designation of its Elm Street plan, DCED's Southeast Regional Director should be contacted to be part of the process. In conjunction with the BID, the process should be an easy one once the

community decides to move in this direction. Although funding is limited for a manager, the program does offer funds for bricks and mortar projects.

7. **Redevelopment Assistance Capital Program (RACP):** Through the governor’s Office of the Budget, funds are designated for line item projects by the county and municipality through capital budget legislation. Generally the Office of Budget will go back to capital budget bills for 10 years. Chester County and the Borough have line items in capital budget bills going back to 2008 and 2013 (See table below). Those that are most applicable for this discussion are mentioned in the appropriate section. Funding for the Melton Center was in the 2008 capital budget and is still available. RACP has open rounds roughly once a year. It takes political will and push to get funding allocated, but West Chester should apply for as much as they can when the opportunity arises. Other line items will be mentioned in the subsequent sections. (See www.budget.pa.gov.)

West Chester Borough	2473 2008-041	Construction, redevelopment and other costs related to the Charles A. Melton Center	\$ 1,000,000
West Chester Borough	8134 2013-085	Acquisition, construction, infrastructure & other related costs for redevelopment projects	\$ 7,000,000

Strategies

Neighborhood strategies need to start by identifying the entire project area. This should come from a neighborhood plan as discussed above in conjunction with the Comprehensive Plan. Next steps are:

1. Identify specific projects and funding focus within the project area such as housing, streetscape or identified property for redevelopment
2. Determine if the identified projects are zoned in keeping with the desired outcome
3. Consider housing incentives such as inclusionary zoning, density flexibility, building height flexibility and potential overlay to ease permitting and speed of local approvals

4. Potential incentives:

- a. Neighborhood Investment Districts (NID) — mentioned in the Comprehensive Plan, this is a fee assessed to every property owner within the NID that helps to pay for projects within that area. The use of NID must be examined closely to assure that those property owners can afford an assessment on top of property taxes. The fee should be for those who would like services and projects over and above what the Borough can put provide, such as extra street cleaning and safety services, more greening or trees and other amenities.
- b. Local Economic Revitalization Tax Abatement (LERTA) — a tool used in urban areas with blighted buildings and vacant properties that require incentives in order to be redeveloped. Properties and buildings must be identified as blighted to meet the legislation criteria. During this review, there were no Borough properties or buildings that were identified as blighted or that indicated such a tool was needed to redevelop. LERTA can be applied to special areas or properties, but the tax abatement is only on the increase in the assessed value of the improvement. It may work on a vacant, underutilized property such as Wyeth-Pfizer. The abatement would apply to the assessment of any new building or improvement.
- c. Identify housing partners that can assist with affordable housing options with market rates, such as Habitat for Humanity, Chester Housing Authority or other private affordable housing developers (Pennrose, WODA Group).

Housing

Discussion

The Comprehensive Plan focuses on housing as a critical issue within the Borough. The goal for housing across most communities is to provide affordable or “attainable” and appropriate housing for every resident. Homeownership to renters in the Borough is 40 percent to 60 percent, which often provides for unstable neighborhoods.

Student housing is unique to “Town and Gown” communities like West Chester. Landlords, who might traditionally keep the number of renters in accordance with density codes, can put more bodies into units under the term “student housing.” As a result, low to moderate income residents are often forced out of the affordable rental market. This group includes service workers that serve as the workforce for local businesses. There are 2,000 service workers in the Town Center alone, according to BID statistical data. These workers for the most part live outside the Borough and so require transportation. If these workers cannot afford their own transportation, they must rely on public transportation, which can be costly and not always reliable. An unreliable or unavailable workforce puts a strain on employers within the Borough. West Chester should offer housing for its workforce to encourage a walk to work environment, provide a larger workforce from which to choose employees, and reduce heavy traffic patterns while bringing more spendable dollars to the Borough. Affordable housing also adds another aspect and generation to neighborhoods.

HUD statistics show that the Fair Market Rental Rate (FMR) for the area, which includes Philadelphia, Camden and parts of Delaware, is:

- 1 Bedroom \$ 1,003.00
- 2 Bedroom \$ 1,210.00
- 3 Bedroom \$ 1,502.00
- 4 Bedroom \$ 1,659.00

Source: (HUDuser.gov)

When converted to data collected by zip code, the FMR numbers for West Chester are higher. Families trying to get out of these high rents cannot find affordable single family homes, even if they can qualify for a mortgage. This dilemma of high rents and no access to homeownership soon forces families to spend more than the 30 percent of income on housing, which is the acceptable rate for housing obligations. And landlords often take advantage of this housing dilemma.

There are two issues: available inventory and accessibility for all housing types. Homeownership has become out of reach for even moderate income buyers because more single family homes have been converted to rentals or student housing. Rentals have become out of reach because of student housing and high density apartment development

that has been limited to only NC 3 zones. Affordable homes and rentals are out of reach for the moderate income audience.

A third issue is limited developable land or complete site opportunities. Large footprints like the West Chester Golf Course or Wyeth-Pfizer are possibilities but the golf course is providing revenue and the Wyeth site is not ready for development. The Grocery Store property is ready for mixed use development and is an opportunity to promote housing goals.

Recommendations

- Develop housing study to ascertain workforce housing needs
- Encourage homeownership through work programs
- Work with affordable housing partners to develop affordable rentals and single family homes
- Work with West Chester University to develop housing strategies that keep student housing limited to campus parameters and encourage workforce apartment development on University owned properties
- Work with West Chester University to develop a “Walk to Work” program for all employees that will provide down payment assistance for homes purchased within the Borough
- Encourage the first time homebuyers program for low to moderate income families
- Examine zoning to include higher densities in other zones that will allow apartment development
- Examine zoning for affordable housing incentives such as inclusionary zoning
- Examine zoning for affordable housing allowances such as higher densities or flexible height requirements for affordable housing units
- Encourage reconversion from multi-family to single family home
- Preserve existing housing stock

Implementation

Funding

1. Apply for Community Development Block Grant (CDBG)
 - a. Funds from first time homebuyers programs can be used for down payment assistance
 - b. Funds can be targeted to specific housing areas, such as home repairs and “front porch” fix ups, for existing homeowners to complement new development.
 - c. Funds can be used as a match for private development in low income housing tax credit projects
2. Use New Market Tax Credits for mixed use projects including affordable units
3. RACP can be used in mixed use projects as discussed in previous sections

Strategies

1. Develop a housing task force to examine housing needs that includes the Chester County Community Development Agency, the Chester County Housing Authority, private housing developers, Borough Council, non-profit housing developers, rehabilitation specialists, and West Chester University
2. Adopt inclusionary zoning for affordable housing for all new housing and mixed use development; the Borough can determine percentages (usually 10 percent to 15 percent of units set aside)
3. Offer conversion incentives for multi-family to single family, which may be in the form of County housing program grant funding. LERTA may not work as the tax abatement is only on the assessment change for the improvement. Question to ask: will conversion significantly change the assessment?
4. Educate private developers on affordable housing concepts and benefits; the County housing authority can oversee a voucher program for affordable units in mixed income complexes; easier for voucher system than student rental
5. Review zoning to allow higher densities in other zones
6. Look for other housing opportunities in all neighborhoods – scattered sites, or blocks of existing houses for rehabilitation

Land Use

The Comprehensive Plan pointed to areas of future focus:

- Hannum Avenue Corridor (discussed in earlier sections)
- Wyeth-Pfizer property (discussed in East End section)
- West Chester Golf Course
- Eastern Gateway Market/Gay Street Corridor

These are opportunities for future development, each with its own unique land aspects, including traffic patterns, infrastructure, housing and open space.

Adding Traditional Neighborhood Districts (TND) within the Wyeth-Pfizer zone and the Golf Course Zone would aid in increasing neighborhoods within West Chester. TND's may be residential or commercial, depending on goals for each area. Commercial TNDs could allow for a variety of mixed use buildings, with commercial/retail on ground floors and residential above; and for townhomes, single family and multi-family. Residential could allow for single family, row home style or semi-detached housing with limited commercial areas; grid design to fit in with adjoining neighborhoods; encourage parks, greenspace and walkability. TNDs fit into existing zones but allow for more flexibility and for uses not otherwise permitted within the zone such as restaurants, convenience stores, etc.

Recommendations

- The Borough, through the redevelopment authority, should look for ownership opportunities in order to gain control of properties
- Once land is controlled, the Borough should develop a master site plan to RFQ
- Consider traditional Neighborhood District Overlays for Wyeth-Pfizer and the West Chester Golf Course if the golf course is developed
- Include affordable housing options
- The Borough, through the Redevelopment Authority, should watch for repository parcels for ownership in specific targeted areas
- In the eastern gateway, examine for traffic calming measures like green bump outs, and greenspace at point; prepare for a land plan to include commercial/retail options

Implementation

Funding

1. Department of Community and Economic Development can provide planning funds
2. RACP in capital budgets

Chester County	8107 2013-085	Construction, acquisition and infrastructure for redevelopment projects	\$ 5,000,000
----------------	------------------	---	--------------

Strategies

1. Strengthen Redevelopment Authority for future property control
2. Identify parcels for redevelopment and strive to control through RDA or through public/private partnerships to achieve redevelopment goals
3. Examine zoning for TND opportunities prior to development

CHAPTER 8 ADMINISTRATION REVIEW

Introduction

Senior management in the Borough of West Chester has experienced tremendous change in the past several years. The Borough manager is new to his position although not to the Borough. The finance director and human resources director are relatively new to those positions and are both from the private sector. In addition, the human resources director position was only created recently. The director of Buildings, Housing and Zoning Regulations is another new hire. The Borough has a need to develop personnel policies and procedures, job descriptions, and related items as well as financial policies and procedures. Since the Borough is projected to experience significant deficits in the coming years, it is also important to review various programs and fees, particularly in the area of recreation and events. The Borough should make sure that its extensive programs meet residents' needs and are cost efficient, and that the fees associated with its many events are appropriate.

Manager's Office

Borough Manager

The Borough manager is responsible for daily oversight of all Borough departments. The current manager is a recent appointment who was the former long-time head of the Building, Housing and Zoning Regulations Department. He possesses strong management skills and a wealth of institutional knowledge. The manager's current focus is on strengthening personnel policies and procedures, ensuring the departments are properly handling core functions in a cost effective manner, and developing a successor plan for the manager position as he nears retirement age. Two additional current goals are to upgrade the Borough's bond rating through development of financial policies and creation of a process for West Chester University (WCU) to take over three campus parking garages that are now owned and managed by the Borough. The manager is the official secretary for Borough Council and the Borough's liaison with outside entities including the university, whose campus is mostly located within the Borough. The Borough manager is assisted by an executive administrative assistant.

Human Resource Director

The position of human resources director was recently created by the Borough. The current human resources director, who has many years of experience in the private sector, is responsible for ensuring collective bargaining agreements are followed, enforcing the Family and Medical Leave Act and other labor laws, verifying and maintaining personnel files and I-9 reporting, and overseeing healthcare and benefits management. She is also working with the Borough manager on personnel policies and procedures, job descriptions and similar tasks.

Treasurer's Office

The Treasurer's Office is headed by an experienced finance director, who is also relatively new to the public sector and to the Borough. The finance director handles the annual budget process, performs audit preparation, writes monthly financial reports and ensures that purchases conform to budgeted amounts. A Cash Manager is responsible for banking and bookkeeping including submitting payroll, recording receipts and disbursements, handling bank reconciliations and similar duties. The Treasurer's Office also includes several clerks who are responsible for collecting sewer bill payments, processing traffic ticket payments, data entry, answering questions from the public and similar clerical duties. A newly created position is overseeing implementation of the new storm water protection fee including performing an audit of the time and tasks for Borough job positions that are charged to the fee.

Information Technology Department

Information technology is overseen by a full-time director. The Borough was very aggressive in implementing cutting edge technology designed to streamline processes and reduce the amount of paper. However, the Borough manager is evaluating some of these technologies to ensure that they meet the Borough's needs. For instance, the Borough was using a SharePoint document management and storage system to distribute various council and committee agendas. It was decided that SharePoint was too cumbersome for this task, and agendas are now available to the public directly on the Borough's web site. The Borough manager's technology goal is to provide the simplest solution that will meet the Borough's needs as opposed to using more complex technology that is difficult to use. The IT director is tasked with maintaining the current system and providing one-on-one training to users.

Housing Department

The director of Building, Housing and Zoning Regulations is another recent hire. A main duty of this department is overseeing the regulation and inspection of rental properties, many of which are student rentals. Rentals are charged an annual fee based on a calculation process established by the court in the wake of a 2001 lawsuit. There are two full-time housing inspectors who are supported by an administrative assistant, as well as third-party mechanical and electrical inspectors.

Parks and Recreation

The Borough has a very robust program of recreational activities and events overseen by a staff of three including a director, assistant director and program director that are supported by summer workers. Recreation programs include a full-day summer camp for ages 5 to 14, various sports and arts programs, adult bus trips and more. Recreation also manages a number of large events including parades, art and music festivals in Borough parks, street and restaurant festivals in the Borough's downtown business district, and a professional bicycle race. The QVC Christmas Parade alone draws 30,000 to 40,000 people.

Recommendations

- The Borough manager reported that the Borough's personnel policies and procedures are outdated and do not meet current needs. The manager and the human resources director are revising as time permits and the opportunity arises but a complete review and update of the Borough's personnel manual, job descriptions and related human resources policies and procedures is in order to increase efficiency and ensure proper personnel cost allocation. For example, the Borough manager recently rewrote the compensatory time policy to clarify who is entitled to comp time. Another example cited by the manager was a job description for the sustainability coordinator in the Department of Public Works that is four pages long and contains many duties that are not appropriate to the position. The Borough should seek a Phase II Early Intervention Program (EIP) grant to undergo a comprehensive update rather than handle this task piecemeal.
- The Borough currently has outdated written financial policies and procedures. Like human resources policies and procedure, the Borough should seek a Phase II EIP grant to

develop comprehensive, written financial policies and procedures based on best practices including a fund balance policy. The resulting policies and procedures should be reviewed and approved by Borough Council.

- The Borough should review its recreation programs to determine what is being offered, whether the offerings meet the needs of Borough residents, and the cost effectiveness of the various programs. The Borough might want to consider partnerships with other entities such as the school district or WCU to provide programs.
- The high number of events is wonderful for the community but places a strain on Borough resources. Some costs are recouped, such as police overtime, but others, such as staff time spent on planning and organizing, are not. The Borough should review the various fees that it charges related to events and ensure that it is recovering costs to the extent possible.

**CHAPTER 9
OBSERVATIONS AND RECOMMENDATIONS**

Introduction

The Borough of West Chester faces substantial challenges ahead as projections indicate that its General Fund expenditures will outpace General Fund revenues, resulting in annual deficits. Those deficits would likely be even higher absent significant annual transfers from the Wastewater Fund of almost \$1.5 million and from the Storm Water Fund of approximately \$800,000. Meanwhile, Wastewater Fund projections indicate that the fund will run annual deficits at the same time that it is transferring money to the General Fund. Although the Borough has an available unrestricted cash reserve of approximately \$7.6 million, the projected amount of cumulative deficits from 2018 to 2022 exceeds that amount.

Clearly, the Borough needs to examine appropriate expenditure reductions and potential revenue increases. Recommendations in this report related to tax structure, labor controls, asset strategies and other financial approaches are designed to assist the Borough in those areas.

The Pennsylvania Economy League advises the Borough to consider the recommended initiatives as outlined in the remainder of this chapter. Recommended target dates for initiatives are immediate, short term (one to two years) and long term (two years or more). Budget impact refers to the General Fund unless otherwise noted.

RECOMMENDED INITIATIVES

FINANCE

FIN 01:	Conduct a cost allocation study for sewer, storm water and parking expenditures. See also ASSETS 01	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	Proper revenue allocation

- The Borough currently transfers money from the Wastewater, Storm Water and Parking Funds to defray General Fund expenditures related to those areas.
- The Borough should conduct a cost allocation study to ensure that it is transferring the proper amount.

FIN 02:	Consider tax options under home rule	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Council
	Budget Impact:	Potential revenue generation

- West Chester Borough operates under a home rule charter. Home rule charter municipalities are not subject to the limits on the rate of real estate millage, earned income or real estate transfer taxes that exist in state municipal codes, although the charter can limit the increase of total revenue year over year.
- While it is home rule, the Borough’s earned income tax and real estate transfer tax rates are the same as state Borough code limits.
- Because it is a home rule municipality, the Borough could take a more balanced approach to taxes by using a mixture of increases on the three tax levies so that no one tax paying group is impacted disproportionately. For example, retired individuals might pay property taxes but do not pay earned income taxes. Wage earners pay the earned income tax and might also pay property taxes. Commercial and business entities are more likely affected by property tax and real estate transfer tax increases since their property values and transactions tend to be on a larger scale.
- The Borough should have its solicitor review its home rule charter to determine if there are limits on year over year revenues. Once that review is completed, the Borough can consider whether to make adjustments in its tax rates now or as needed in the future.

FIN 03:	Consider development of a Neighborhood Services Fund	
	Target Date:	Long Term
	Responsible Party:	Borough Manager/Public Works Director/Council
	Budget Impact:	Reduce General Fund expenditures

- The Borough recently began levying a storm water fee.
- The Borough should consider creating a Neighborhood Services Fund that would encompass public works, storm water and highway maintenance. The fund would be supported by revenues from fees, liquid fuels and real estate taxes.

FIN 04:	Review the cost of fees charged for Borough events	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Department Heads
	Budget Impact:	Revenue generation

- The high number of events is wonderful for the community but places a strain on Borough resources. Some costs are recouped, such as police overtime, but others, such as staff time spent on planning and organizing, are not. The Borough should review the various fees that it charges related to events and ensure that it is recovering costs to the extent possible. Consider eliminating less popular events that are a drain on Borough resources.

FIN 05:	Undergo a comprehensive update of the Borough personnel manual, job descriptions and related human resources policies and procedures. See also LABOR 02, LABOR 06 and FIN 06.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- The Borough manager reported that the Borough’s personnel policies and procedures are outdated and do not meet current needs.
- The manager and the human resources director are revising as time permits and the opportunity arises but a complete review and update of the Borough’s personnel manual, job descriptions and related human resources policies and procedures is in order to increase efficiency and ensure proper personnel cost allocation. The resulting policies and procedures should be reviewed and approved by Borough Council.

FIN 06:	Develop comprehensive, written financial policies and procedures for purchasing, credit card usage, invoices, purchase orders, etc. based on best practices including a fund balance policy. See also FIN 05 LABOR 06, and LABOR 02.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	N/A

- The Borough currently does not have written financial policies and procedures. Development of comprehensive, written financial policies and procedures based on best practices including a fund balance policy should be included in the Borough’s Phase II EIP grant application along with human resources policies and procedures. The resulting policies and procedures should be reviewed and approved by Borough Council.
- The Borough should establish a formal policy on an amount of unrestricted fund balance that should be maintained for the General Fund. The policy should be set by the Borough Council and include a process for how the Borough would increase or decrease the level of unrestricted fund balance. The recommended amount of unrestricted fund balance should be a minimum of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.

FIN 07:	Ensure that debt service payments match the amortization schedule and are recorded in the proper funds.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	Proper expenditure allocation

- Debt service payments in the 2018 budget do not match the appropriate amortization schedules. Financial projections in this report match the debt service payments to the amortization schedules.

FIN 08:	The Borough should strive to pay its entire annual Minimum Municipal Obligation (MMO) pension payment and record those payments in the appropriate funds.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	Proper expenditure allocation

- Audits report that the Borough historically has not paid its entire annual MMO in the year that it was due. Paying the annual MMO assists with the financial health of the fund and guarantees that the Borough is not subject to interest charges associated with late payments.

- In addition, the Borough’s historical financial records of MMO payments did not appear to match the payment amounts indicated in the audit. The Borough should ensure that pension payment amounts are properly recorded in the proper fund.

FIN 09:	Review pension funding options	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department/Council
	Budget Impact:	Potential expenditure reduction

- Contact Borough actuary and have that firm quantify the monetary deposit necessary to achieve a certain pension funding level increase, and/or MMO decrease along with a reduction in the assumed rate of return. This recommendation is already underway with an emphasis on lowering the rate of return and using updated mortality tables.

FIN 10:	Eliminate the use of the term “depreciation” in government accounting financial statements	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	Clarification and planning of fund balance

- Government basis of accounting does not make use of depreciation. The Borough used the term “depreciation” in its 2016 budget for what is apparently a set aside of fund balance for future capital needs. Rather than use depreciation, the Borough should place any funds that it wishes to use for capital needs in either the Capital Reserve or Capital Improvement Funds.

FIN 11:	Verify that fund transfers are properly recorded in the proper fund	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	Lessens possible transmittal errors

- The Borough should verify that Transfers In and Out of funds correspond to the relevant funds. This verification should include both actual transactions and for each year’s

budgets. The Borough should maintain consistency in the number, purpose and transactions for each fund and among funds.

FIN 12:	Develop a policy for investments that is approved by the governing body	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Department/Council
	Budget Impact:	Greater safety and understanding of investments by the governing body

- The intent of an investment policy is to define the parameters under which funds are to be managed. The Borough should develop an investment policy that conforms to its home rule charter and that effectively and judiciously manages the Borough’s general funds.

FIN 13:	Continue to develop five-year capital plans for all governmental activities and funds	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Council/Department Heads
	Budget Impact:	Relieves pressure on General Fund for capital expenditures

- Capital planning is an important component of a municipality’s ability to continue to provide services. A prudent multi-year capital plan will identify and prioritize the Borough’s capital needs and will establish projected costs and identify funding sources. From this overall capital plan the Borough should develop annual capital budgets with projected revenues and expenditures.

FIN 14:	The finance department staff should continue to attend trainings throughout the year	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Department
	Budget Impact:	N/A

- Training of core competencies for finance staff should be encouraged. The finance department staff should attend GFOA, or Pennsylvania Municipal League trainings

offered throughout the year. The trainings are reasonably priced and employees often benefit through the networking opportunities that training provides.

FIN 15:	Continue to develop the Borough’s relationship with West Chester University and explore the possibility of PILOTs or in-kind assistance	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Council
	Budget Impact:	Potential revenue

- West Chester University (WCU) is a Pennsylvania state college that is located in the Borough. The Borough currently has a relationship with WCU concerning parking assets (see Assets 05), and government and university officials regularly meet to discuss areas of common interest.
- The Borough had a tax exempt percentage of 51.4 percent in 2016, with Chester County the largest owner of tax exempt property followed by WCU¹.
- The Borough should consider seeking a Payment in Lieu of Taxes (PILOT) from WCU. The PILOT should be for a specific program, capital improvement project, piece of equipment, etc. rather than simply a payment into the General Fund. For example, the PILOT could be used for public safety efforts such as to purchase police cars or as a contribution to a particular economic development effort.
- Similarly, the Borough could develop in-kind programs with WCU, particularly taking advantage of the school’s strengths. For example, WCU is well-known for its music program, which could translate into assisting the Borough with arts activities through its recreation program.

DEBT AND ASSETS

ASSETS 01:	Commission a new sewer rate study. See also FIN 01.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Finance Department/Wastewater Department
	Budget Impact:	N/A

¹ Borough of West Chester 2016 Audit

- Because it has been over five years since the Sewer Rate Study was completed, a new rate study should be commissioned by the Borough to assess the adequacy of current rates to support necessary upgrades or replacement of sewer mains, conveyance system and treatment plant equipment.
- To the extent that significant near-term rate increases may be required, the rate increases can be used by the Borough to either implement such rate increases so that it can take on the necessary capital improvements or the Borough may wish to explore conveying or selling these responsibilities to a regional sewer authority or regulated utility.

ASSETS 02:	Develop a Capital Improvement Plan (CIP) for wastewater	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Wastewater Department
	Budget Impact:	N/A

- A Capital Improvement Plan (“CIP”) should be developed by the wastewater staff and outside engineers or included with the rate study recommended above.
- Once a comprehensive CIP is prepared it should be reviewed by the Borough’s financial advisor so that a capital funding plan (including pay-as-you go and debt financing) can be analyzed and ultimately an optimal capital plan with funding sources can be developed for the Borough. This plan should be updated periodically as the Borough implements upgrades and improvements. Pay-as-you-go capital should be built into the rate base along with a revenue stream to generate a capital reserve for the wastewater operations.

ASSETS 03:	Develop an operating reserve for sewer operations	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Wastewater Department/Council
	Budget Impact:	N/A

- The Borough should develop a policy for funding and maintaining an operating reserve for sewer operations. This is consistent with rating agency guidance and best practices.

Sewer billing is tied to water usage and there is “usually some fluctuation in cash flows due to seasonal demands, the amount of precipitation” or “other customer trends”.²

ASSETS 04:	Consider developing a request for information regarding sewer assets	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Wastewater Department/Council
	Budget Impact:	Potential revenue generation

- The Borough may wish to consider whether to develop a request for information and indicative quote relating to the sewer assets, and circulate it to regulated utilities, regional authorities and other interested parties, to ascertain whether the goals above may be realized and to gauge the level of interest.
- If desirable, using information learned from the above recommendation, the Borough can put together a team comprised of experienced transactional lawyers, labor counsel and a financial advisor to develop an RFP that details options being sought (e.g. long-term lease, concession agreement or outright sale).

ASSETS 05:	Review parking garage agreement with West Chester University	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/Borough Solicitor
	Budget Impact:	N/A

- One initiative that the Borough may wish to undertake is to have the agreements between WCU and the Borough reviewed to ensure that the Borough is receiving the appropriate level of reimbursed expenses. To the extent that the Borough could reduce staffing needs through attrition, as a result of transferring the University Garages to WCU, the Borough might be able to save some money in connection with insurance, pension and OPEB costs.

² See, Key Water and Sewer Utility Credit Ratio Ranges, Standard & Poor’s Rating Services.

ASSETS 06:	Review parking garage system staffing	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Parking Director
	Budget Impact:	N/A

- Have Parking Director undertake a staffing review and make recommendations in light of changes over the past year or so regarding the proper staffing level. Downsize through attrition if possible.

ASSETS 07:	Review the Desman Design Management parking study and implement based on Borough needs	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Parking Director
	Budget Impact:	N/A

- The Borough retained the services of Desman Design Management to assess, among other things, the existing parking conditions future parking conditions, parking demand/supply solutions, on street parking management, residential parking program, parking zoning policies and Community Development Strategies. The initial report by Desman was presented at a Parking Committee meeting on November 10, 2016. On March 17, 2017, Desman submitted a draft of its Master Parking Plan for consideration by the Borough. More recently, Desman presented a parking financial analysis dated November 9, 2017.
- The issues identified in the Desman assessments are somewhat common where there is a vibrant central business district and on-street and off-street parking as well as permit parking that needs to be managed. The foregoing is coupled with heavy demands by WCU faculty and students. The Desman report provides ample options to be considered by elected officials to address the concerns of residents, WCU, businesses and visitors. Follow through with important policy decisions and implement those that work for the Borough as a whole.

ASSETS 08:	Monitor refinancing opportunities for Borough debt	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Administrator
	Budget Impact:	Potential expenditure reduction

- Obtain value from high credit rating and continued relatively low interest rates through monitoring of refinancing opportunities. As to University Garage debt, if WCU does not buy the lots and garages back, amend agreements so that Borough obtains some payments to incentivize reduction of costs to WCU.

ASSETS 09:	Consider changes to on-street parking meter system	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Parking Director
	Budget Impact:	N/A

- Consider changes to the staffing model, investment into multi-space meters, investment into license plate recognition technology, switch to a kiosk system, etc.

LABOR

LABOR 01:	Establish an overall bargaining strategy and pattern	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/HR Director/Council
	Budget Impact:	N/A

- This strategy must be based on the Borough’s overall fiscal outlook, but the Borough’s OPEB and pension funding obligations landscape alone does not provide the Borough with leeway to expand or increase benefits or salary. Regardless of what was done in the past, legal, benefits and financial experts must be fully utilized to assist the Borough in adjusting benefits and compensation going forward. The Borough’s compensation and benefits are generous and steps must be taken to insure all public services are sustainable going forward.
- The Borough’s fiscal condition as well as the current healthcare landscape also suggests that either any collective bargaining agreement must be kept to the shortest possible term or that healthcare reopener provisions must be incorporated into the CBAs.

LABOR 02:	Conduct a benefits audit for each bargaining unit. See also LABOR 06, FIN 05 and FIN 06.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	Potential expenditure reduction

- Determine the total level of benefits provided to each bargaining unit and the real cost of such benefits. The audit must also analyze the total cost of all compensation and benefits provided to each bargaining unit and look for other providers that can offer similar benefits in a cheaper manner or structure.

LABOR 03:	Continue to explore health insurance options to reduce costs	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	Potential expenditure reduction

- Options include employee cost sharing, less expensive plans as permitted by the current CBA language, and taking a defined contribution approach to health care.
- Place particular focus on the potential impact of the 2020 Cadillac tax and the impact of other fees, costs and excise taxes related to the Affordable Care Act.
- Conduct eligibility audits to determine if employees have access to health insurance elsewhere.
- Seek to eliminate or reduce post-retirement health care for police, particularly for new hires.

LABOR 04:	Review early retirement incentive for police	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	Potential expenditure reduction

- Determine whether this benefit has resulted in cost savings or some other purpose, or if it has been abused. This appears to be a costly benefit that should be carefully analyzed.

LABOR 05:	Take steps to increase the health of Borough pension plans	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Administrator/HR Director
	Budget Impact:	Potential expenditure reduction

- Consider raising employee contribution requirements, do not add new benefits to the plans such as DROP, and review to determine what benefits, if any, can be reduced for current employees or eliminated for future employees.
- Avoid lump sum payments or overtime in pension calculation, and consider eliminating COLA and service increments for current employees.
- Consider starting a new pension benefit structure for all new employees limited to the minimum requirements of Act 600 and the maximum pension contributions.

LABOR 06:	Update and regularly review job descriptions and the employee policy and procedure manual. See also Labor 06, FIN 05 and FIN 06.	
	Target Date:	Immediate
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- The Borough should maintain a practice of regularly reviewing job descriptions in order to insure that they are accurate and that all job positions are properly classified.
- The Borough plans to update the manual in 2018. The update should be a priority.

LABOR 07:	Consider a new wage scale and changes to other compensation	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	Potential expenditure reduction

- Consider a new expanded lower wage scale for new employees, particularly uniformed employees, and possibly other categories of employees, including an elimination or adjustment of the longevity formula.

- Freeze longevity or covert the longevity pay formula to a fixed dollar amount instead of a percentage. There also should be a dollar cap on the amount of longevity that an officer can receive.
- Work to reduce and monitor overtime and either eliminate or implement controls on compensatory time so that it cannot be carried forward from year to year.
- Evaluate staffing to determine if adjustments can be made.
- The applicable probationary periods should be extended to the fullest amount permitted by law, no less than six months, preferably one year.
- Eliminate the payout or carry over of paid time off.
- Review reimbursements for clothing and tools.

LABOR 08:	Avoid any limitation on the need or ability to layoff or furlough employees or subcontract services.	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- This includes any minimum staffing requirements that would inhibit the Borough’s ability to layoff when needed. Likewise, any obligation to hire from a recall list should be limited to a one year period, particularly with police officers due to certification issues. Any employee laid off for more than one year loses his or her recall rights.

LABOR 09:	Eliminate the forfeit provision in the grievance procedure in the police bargaining unit.	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- When the Borough does not respond to a grievance in a timely manner, the grievance should be deemed denied.

LABOR 10:	Eliminate the provision in the CBA entitled “Bill of Rights”.	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- This is an unnecessary provision that can only hurt the Department and the Borough. Most of the rights in this provision are required by law and do not need to be in the CBA.

LABOR 11:	Consider regionalization and shared services	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Administrator
	Budget Impact:	Potential expenditure reduction

- Analyze any applicable collective bargaining agreement from the new regionalized service to determine if it would reduce Borough personnel expenses.

LABOR 12:	Review definition of a spouse	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/HR Director
	Budget Impact:	N/A

- Section 6 of the AFCME contract defines spouse as including both “married and unmarried couples.” Marriage is defined by law as including opposite or same gender partners but we do not recommend including “unmarried couples”, regardless of gender, in the definition of a spouse. This is not a gender or sexual orientation issue. The Borough should review this issue carefully, but the current definition is too vague and open for abuse.

LABOR 13:	Develop a financial plan with projected personnel cost and expenditure limits	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Finance Administrator/ HR Director
	Budget Impact:	N/A

- The projections and allocation should be made and utilized as a guide for future bargaining and the allocation of resources. The Borough should be diligent to comply with the plan in order to allow the document to be useful for future bargaining and

arbitration and informative for the taxpayers so they can see how their tax money is being spent on personnel.

ECONOMIC DEVELOPMENT

ED 01:	Stabilize neighborhoods using East End Elm Street Plan as a model	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Borough Planning
	Budget Impact:	N/A

- Develop neighborhood plans for each defined neighborhood.
- Involve all stakeholders within the defined area, including individual residents, businesses, non-profits, and institutions.
- Make all housing options available within a neighborhood to include a diversity of income, generations and housing needs.
- Preserve single family homes to keep historic architecture as well as to keep the single family home inventory high for all Borough residents.
- Re-designate the East End Elm Street Plan depending on the following:
 - An entity is identified to take the lead as the Elm Street organization (such as the Melton Center).
 - The existing Elm Street plan is reviewed by the Melton Center group and public input is provided for additions and changes.
 - A solid budget and timeline for activities is put in place.
 - There is support from the Borough and other stakeholders with specific roles.
 - The BID serves as oversight administrator for the plan in keeping with Main Street/Elm Street program goals.
 - The East End Plan includes the Wyeth-Pfizer and Rubenstein Office Supply properties.
 - Businesses located within the area are included in the plan, such as the DeBaptiste Funeral Home.
- Wyeth-Pfizer Property
 - Resume discussions with the Wyeth-Pfizer property owners concerning Borough/Redevelopment Authority control.

- Apply to the state for cleanup funding as necessary.
- Once in control, develop a RFQ for a master site developer.
- Rubinstein Office Supply Property
 - Prior to plan submission by developer, examine zoning for housing options to be included.
 - Discuss mixed use options with the developer and provide incentives to guide plans.
 - Seek affordable housing partners for mixed use, such as Chester Housing Authority.
- Examine zoning for opportunities to provide attainable housing for all residents i.e. inclusionary zoning for affordable housing options with every new housing development.
- Examine zoning incentives such as more flexible density or height allowances for more affordable units.
- Include streetscape and traffic calming measures in each neighborhood plan.
- Focus neighborhood planning on place making anchor facilities, spaces and/or institutions.
- Identify commercial spaces in clusters to offer amenities in each neighborhood and keep walkability as an option to reach services and retail.

ED 02:	Provide affordable and appropriate housing for every resident	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Borough Planning
	Budget Impact:	N/A

- Develop housing study to ascertain workforce housing needs.
- Encourage homeownership through work programs.
- Work with affordable housing partners to develop affordable rentals and single family homes.
- Work with West Chester University to develop housing strategies that keep student housing limited to campus parameters and encourage workforce apartment development on University owned properties.

- Work with West Chester University to develop a “Walk to Work” program for all employees that will provide down payment assistance for homes purchased within the Borough.
- Encourage the first time homebuyers program for low to moderate income families.
- Examine zoning to include higher densities in other zones that will allow apartment development.
- Examine zoning for affordable housing incentives such as inclusionary zoning.
- Examine zoning for affordable housing allowances such as higher densities or flexible height requirements for affordable housing units.
- Encourage reconversion from multi-family to single family home.
- Preserve existing housing stock.

ED 03:	Consider areas for future development	
	Target Date:	Short Term
	Responsible Party:	Borough Manager/Borough Planning
	Budget Impact:	N/A

- The Borough, through the redevelopment authority, should look for ownership opportunities in order to gain control of properties
- Once land is controlled, the Borough should develop a master site plan to RFQ
- Consider traditional Neighborhood District Overlays for Wyeth-Pfizer and the West Chester Golf Course if the golf course is developed
- Include affordable housing options
- The Borough, through the Redevelopment Authority, should watch for repository parcels for ownership in specific targeted areas
- In the eastern gateway, examine for traffic calming measures like green bump outs, and greenspace at point; prepare for a land plan to include commercial/retail options

POLICE

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

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

- Review the Police Department operations and staff for efficiencies including potentially reducing the number of civilian records staff and investigating the possibility of eliminating Borough dispatching and instead using the Chester County dispatching system.
- Evaluate the current “Span of Control.” The detective sergeant’s span of control is three. The detective corporal’s span of control is two. The three patrol sergeants’ and three patrol corporals’ span of control is four or five police officers.
- Review and consider the clearance rates of Part I and Part II crimes in comparison to the County clearance rates when completing “Span of Control” recommendation for the Detectives. The WCPD Part I clearance rate is below the County average and will surely be negatively impacted if reductions in manpower were to occur.
- Consider the current “Span of Control” for the Corporal position when Collective Bargaining and Attrition present the opportunity.
- Revisit the investigation of Part I crimes and methodology of Uniform Crime Reporting in an attempt to improve the clearance rate.
- Continue to routinely inspect policy, rules and regulations manuals for completeness and accuracy.
- Consider Accreditation by the Pennsylvania Chiefs of Police Association.
- Maintain the Department in accordance with the above principles of organization as outlined in the report.

POLICE 02:	Evaluate Department effectiveness in field operations
-------------------	--

	Target Date:	Short Term
	Responsible Party:	Police
	Budget Impact:	N/A

- Although the Accident Enforcement Index is exceptionally impressive, research, evaluate and consider the causal factors impacting the decline during 2014 and 2016.
- Collect, compile and analyze conviction data on criminal prosecutions.
- Include statistical information on crimes being investigated (followed up by detectives) on the monthly and annual reports.

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

- Become familiar with and practice the Principles of Quality Leadership as outlined in the report.
- Review current Policy as it relates to developing a structure of organizational objectives. The structure must include objectives for the Department and for each unit. The objectives must specify the ultimate outcomes that the Department and the sub-divisional organizational units wish to achieve. The objectives must be measurable.
- Publish a summary of the number, type and disposition of complaints against officers in the Departments' Annual Report.
- Affix responsibility for the planning function in the job description of the Professional Standards for Lieutenant of Police.
- Review written directives on the planning and research function in comparison with the information provided in this area of the report.
- Prepare an agenda or inventory of planning and research needs. Special care must be taken to ensure that long-range needs are given due consideration.
- Prioritize items on the agenda. This should be a joint effort of the chief, lieutenants, sergeants, corporals and support staff.
- Formally adopt the inventory and the priorities on the work plan for the planning function.

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

- Utilize the full range of training areas as described in the personnel and training section

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

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

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

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

RECOMMENDED EIP PHASE II FUNDING INITIATIVES

The Borough should discuss the possibility of EIP Phase II funding with the state Department of Community and Economic Development for the following initiatives:

- **FIN 01:** Conduct a cost allocation study for sewer, storm water and parking expenditures. See also ASSETS 01
- **FIN 05:** Undergo a comprehensive update of the Borough personnel manual, job descriptions and related human resources policies and procedures. See also LABOR 02, LABOR 06 and FIN 06.
- **FIN 06:** Develop comprehensive, written financial policies and procedures for purchasing, credit card usage, invoices, purchase orders, etc. based on best practices including a fund balance policy. See also FIN 05 LABOR 06, and LABOR 02.
- **ASSETS 01:** Commission a new sewer rate study. See also FIN 01.
- **LABOR 02:** Conduct a benefits audit for each bargaining unit. See also LABOR 06, FIN 05 and FIN 06.

- **LABOR 06:** Update and regularly review job descriptions and the employee policy and procedure manual. See also Labor 06, FIN 05 and FIN 06.

APPENDIX

A Study of the Management and Operations of
The West Chester Borough Police Department

Conducted and Prepared by

W. Ronald Smeal
Police Management Consultant
2349 Harvest Ridge Drive, State College, Pennsylvania 16803

FOREWORD

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

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

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

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

W. Ronald Smeal
Police Management Consultant

INTRODUCTION

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

On Thursday, August 3, 2017, W. R. Smeal, Police Management Consultant, met with the Chief of Police, Scott Bohn, and several members of the Police Department. The meeting involved discussions about police operations, gathering data and information necessary to conduct the study. The Consultant would then complete the police portion of the Management Study Report.

West Chester Borough in Chester County has a population of 15,663 as recorded in the 2010 census. The WCBPD also provides Contract Police Services to E. Bradford Township since 1990. E. Bradford Township has a population of 9,942 as recorded in the 2010 Census. Therefore, WCBPD provides police service to a combined population of 25,605.

The Police Department has forty-four (44) full-time sworn police officers, six (6) of which are dedicated and paid by East Bradford Township. The Township paid for eight (8) officers several years ago. Currently, the staff of sworn officers is as follows:

- 1 Chief of Police
- 3 Lieutenants of Police (1 Operations, 1 Support Services, 1 Professional Standards)
- 6 Sergeants (5 Patrol, 1 Detective)
- 6 Corporals (5 Patrol, 1 Detective)
- 2 Detectives
- 26 Patrol Officers

There are ten (10) full-time civilian employees as follows:

- 6 Communications Officers
- 2 Records Clerks
- 2 Administrative Assistants

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

Management: goals and objectives setting and evaluation; policy development; written directives; communications and coordinating mechanisms; and supervision.

Management Controls: line inspections; staff inspections; and internal affairs.

Organization: grouping of functions; chain of command; span of control; duplication and fragmentation of responsibilities.

Personnel Management: promotion and performance evaluation.

Education and Training: educational requirements for the appointment and promotion of members; educational incentives; and recruit, field, specialized, advanced, refresher, and remedial training.

Patrol Operations: patrol methods and procedures; supervision; communications; vehicles; equipment; preliminary investigations; report preparation and review; shift structure and organization; and special enforcement operations.

Staff Allocation and Distribution: number, temporal and geographical distribution of patrol personnel; and appropriateness of staffing levels in other units of the Department.

Criminal and Special Investigations: case screening; case management; workload distribution; crime scene policies and procedures; shift structures; investigations policies and practices.

Crime Analysis: types and frequencies of analyses; data collection procedures; analytical techniques; dissemination patterns; and feedback and evaluation.

Records: report review; records controls; storage, maintenance, retrieval and retention; information security; privacy and access guidelines; and compliance with Uniform Crime Reporting (UCR) and auditing requirements.

Data Processing: scope and nature of applications and reports; use and utility of reports; command and staff input to selection and design of applications and reports; information security; computer-literacy levels; and equipment adequacy and redundancy.

Property Management and Evidence Control: issuing, accounting, and controlling agency-issued property; accountability for care and replacement; fleet management; marking, labeling, packaging, receipting, storing, accounting for and withdrawing found, recovered and evidentiary property; analysis of evidence.

Planning and Research: long-range planning; proactive and reactive planning; status of planning in departmental hierarchy and quality of planning products.

Legal Services: use of legal services; legal bulletins and information dissemination.

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

I: CURRENT ORGANIZATION AND STAFFING

West Chester Borough Police Department provides 24-hour service 7 days a week. The Department works twelve (12) hour shifts, covering two Patrol Sectors (East and West) with three (3) Zones. Police service is provided to E. Bradford Township on a contractual basis. The Department meets professionally accepted standards of educational achievement, recruitment and selection procedures, written and oral examinations, psychological, medical and drug screening, background investigation, basic and field training requirements, along with in-service training.

The Department provides several “Specialty” services as follows:

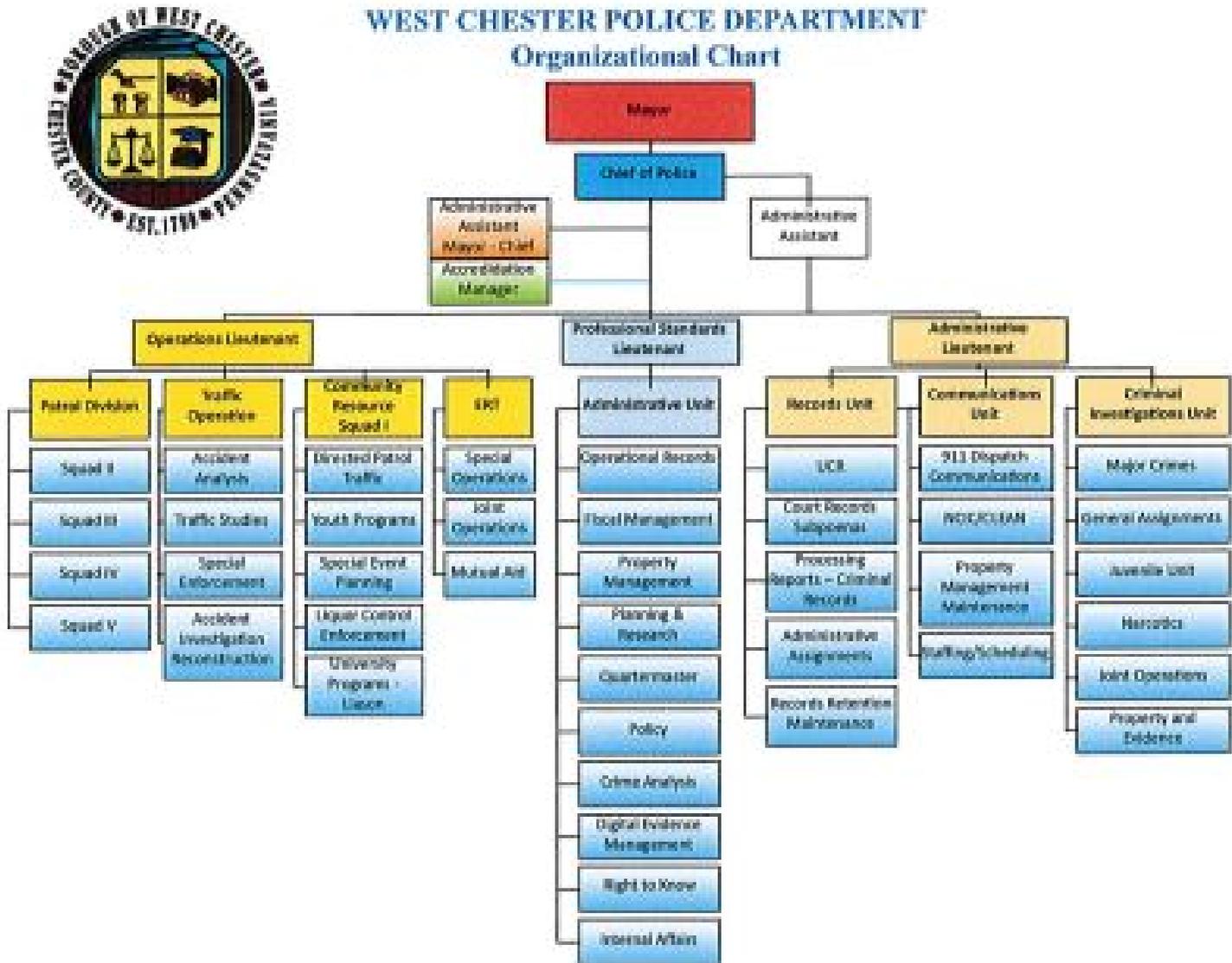
- 4 Detectives, one (1) is a supervising Sergeant and one (1) is a Corporal.
- Community Resource Unit.
- Bike Patrol with 41 Certified Officers.
- Chester County DUI Task Force with eight (8) Officers assigned.
- Field Training Officer
- First Aid/CPR with two (2) Officers trained.
- EMT’s with seven (7) Officers trained.
- Wellness Committee with five (5) Officers assigned.
- Training Committee with four (4) Officers assigned.
- Accident – Pursuit Review Committee with four (4) Officers assigned.
- Awards Committee with four (4) Officers assigned.
- Juvenile Unit dealing specifically with Child Abuse.
- Range Instructors with two (2) Officers assigned.
- Firearms Instructors with 5 Certified Officers.
- Emergency Response Team with 9 members.
- ED Instructor
- OC Instructor with two (2) Officers trained.
- ASP Instructors with two (2) Officers trained.
- Handcuffing Instructors with two (2) Officers trained.
- Abandoned Vehicle Officer with two (2) trained Officers.
- Fleet Management with two (2) trained Officers.
- EVOC Instructors with two (2) Officers trained
- Accident Reconstruction Investigation with four (4) Officers trained.
- EnRadd Operators with six (6) Officers trained.
- Armorers - with one (1) Sergeant and two (2) Officers.
- Total Station with four (4) Officers assigned.

Patrol officers perform some of the specialty duties on an “as needed” basis and in addition to their primary duties. Two (2) civilian employees function as the Records Section and two (2) Administrative Assistants provide support to the Mayor and Chief of Police. The Borough provides its own Dispatch Services rather than receiving dispatching from the Chester County Emergency Dispatch Center. There are six (6) employees, one (1) employed as Chief Dispatcher.

Four (4) municipalities border the Borough. Those five (5) adjacent municipalities (W. Goshen, E. Goshen, Birmingham, Thornbury and Downingtown) field their own Police Departments.

The Police Department has a formal organizational chart and is divided into areas of responsibility.

**CHART 1
WEST CHESTER BOROUGH POLICE DEPARTMENT
ORGANIZATIONAL CHART**



PROJECTED MANPOWER NEEDS AND SERVICE LEVELS

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

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

While conducting studies over the past thirty-three (33) years, the Consultant has found that the reporting of data on incidents has been less than accurate. Due to the lack of a standardized reporting network in the Commonwealth of Pennsylvania, the lack of standardized training of police personnel and the administrative prerogative of individual municipal departments, there appears to be inconsistency in reporting. Therefore, it has been found that the realistic incident data lies somewhere between that reported by Departments and that expected, if utilizing the average of .55 incidents per thousand population. This report was prepared by considering the incidents/calls reported and the population average. Experts report that of all calls answered, 20% will be criminal in nature and 80% will be service in nature. Consideration of these methods to determine incident workload allows for increased reliability of incident workload. The IACP formula is summarized as follows:

Determining Patrol Force Manpower Needs

Step 1

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

If the actual number of incidents is unknown, sound estimates may be made based upon the assumption that, on the average in any community, 550 complaints or incidents will occur for every 1,000 residents, or .55 per resident.

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

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

Step 4 Divide the product by 2,920, which is the total number of hours necessary to staff one basic one-officer patrol unit for one year (365 days x 8 hours = 2,920 hours). The result of applying the IACP formula established the number of patrol elements necessary to police the community. This is not the number of officers, but the number of patrol elements.

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

8-HOUR SHIFT

<u>Factor</u>	<u>Annual Man Hours</u>
Regular Days off (2 days per week)	832
Vacation (15 days per year)	120
Holidays (10 days per year)	80
Court Days (5 per year)	40
Training (5 days per year)	40
Sick and injury (5 days per year)	40
Miscellaneous leave (1 day per year)	<u>8</u>
Total	1,160

(2,920 hours minus 1,160 Non-Available hours equals 1,760 Available Hours)

12-HOUR SHIFT

<u>Factor</u>	<u>Annual Man Hours</u>
Scheduled Days off (191.2 days per week)	2,294.4
Vacation (14.25 days per year)	171
Holidays (1 days per year)	12
Court Days (2.08 per year)	24.99
Training (8.15 days per year)	97.82
Sick and Bereavement (3.75 days per year)	45

Personal Days (4.8 per year)	57.65
Special Assignment (2.02 per year)	<u>24.27</u>
Total	2,727.13

(4,380) hours (365 days x 12 hr shift = 4,380) minus 2,727.13 Non-Available hours equals 1,652.87 Available Hours)

Step 5

Once the total available hours of the average patrol officer is established, the assignment/availability factor is determined by dividing the available hours into the patrol element requirement of 2,920 hours. This results in a factor of 1.66 for an 8-hour shift and 2.65 for a 12-hour shift. In other words, it takes 1.66 or 2.65 police officers to staff each patrol element required to police the community. This includes only patrol personnel and does not include administrators, supervisors, or specialists.

Chart 2 follows and demonstrates the application of the International Association of Chiefs of Police Association manpower formula (12 hour shift) that is “incident based”. The column marked +A/S/I includes the number of fixed positions in West Chester Borough that follow:

- Chief of Police,
- (3) Lieutenants of Police,
- (4) Detectives,
- (6) Sergeants of Police,
- (4) Corporals of Police.

These positions are authorized to staff administration, supervision and investigation positions. The number eighteen (18) is represented in the column marked A/S/I. The Chart also represents a total manpower need of thirty-four (34) using population averages and thirty (30) when using West Chester Borough activity report of “estimated” incidents handled.

CHART 2
MANPOWER NEEDS
WEST CHESTER BOROUGH
Based upon a population of 28,039
and estimated 2016 incidents of 14,150

INCIDENTS	X.75	X3	DIVIDE BY 4380	X 1.61	+A/S/I	TOTAL
Population						
25,605 = 14,083	10,562	31,686	7.2342465	11.65	18	29.65

West Chester estimated Incidents						
14,150	10,612.5	31,837.5	7.2688356	11.70	18	29.70

Note: Experts report that of all calls answered, 20% will be criminal in nature and 80% will be service in nature. (2,830 Crimes = 20% and 11,320 Service = 80% total of 14,150 incidents). WCPD reports 29,227 Calls that includes Traffic Citations, warnings, Admin and In-Service Training, Court, E. Bradford extra Patrol, etc. that are not incidents.

Findings:

1. The aforementioned calculations are based upon population averages and the 2016 estimated reportable incidents (Criminal and Service) calculated from the Police Professional Experts Suggestion . Time did not provide for verification of incidents handled by the West Chester Township Police Department. **West Chester accounts for “Calls” but not “Incidents”**. The Consultant has found that Pennsylvania Police Departments report fewer incidents per year than the IACP population average of .55 per thousand.
2. The IACP Manpower Formula does NOT provide 12 hour shift averages. Figures used in this instance were gathered from a department that tracks closely 12 hour shift information.
3. During 2016, WCPD reported 2,830 crimes to the Pennsylvania Uniform Crime Reporting System. As reported earlier, experts report that of all calls answered, 20% will be criminal in nature and 80% will be service in nature. If so, the Department would have handled 14,150 Incidents. Therefore, WCPD is handling about the same as the IACP average of .55 per thousand populations in accordance with Experts suggestion that non-criminal/service calls should be 80%.
4. Sam Walker, Professor Emeritus of Criminal Justice Institute at the University of Nebraska at Omaha, reported in his article, Current Issues and Research Needs, that “Span of Control is an organizational-level factor detailing how many officers a supervisor can be expected to effectively control. While there is no definite figure,

experts tend to agree on a ratio of roughly eight (8) officers persupervisor. It is highly unlikely that a single supervisor could effectively supervise more than eight (8) patrol officers. A larger ratio would more than likely result in too many officers to effectively supervise, while too small a ratio would not be an optimal use of supervisory resources”.

Note: Mitchell P. Weinzetl, Chief of Police, Buffalo Minnesota Police Department discussed the concept of succession planning in the Police Chief Magazine, November, 2012, page 46. Succession planning is a process through which many organizations, both public and private, prepare for the eventual departure of key leaders. Through this process, organizations engage in a variety of strategies to identify individuals who might eventually assume a primary leadership role, generally taking steps along the way to prepare these individuals for transition. This can be important from a strategic perspective because “during a leadership change, a succession plan maintains the continuity of the agency’s mission and reduces uncertainty.” Organizational leadership involves identification of potential talent within the organization. Training should be provided to those individuals identified. Individuals who show promise should be “monitored”. Staff should be empowered to make key decisions within an agency.

Recommendations:

1. Evaluate the current “Span of Control”. The Detective Sergeant’s Span of Control is three (3). The Detective Corporal’s Span of control is two (2). Three (3) Patrol Sergeants and three (3) Patrol Corporals Span of Control is four (4) or five (5) Police Officers.
2. Insert West Chester Borough specific data to insure the average officer (Step 4, - 12 hour shift) “Annual man-hours” used in the formula are accurate for completing the Formula.
3. Review and consider the clearance rates of Part I and Part II crimes in comparison to the County clearance rates when completing “Span of Control” recommendation for the Detectives in number 1 above. The WCPD’s Part I clearance rate is below the County average and will surely be negatively impacted if reductions in manpower were to occur. Clearance rates will be discussed later in this report, beginning on page 20.

A. PATROL

The uniformed patrol section’s basic mission is to “prevent crime, protect life and property, preserve, enforce, detect, apprehend and arrest violators of law”. In addition, there are a variety of additional tasks and functions enumerated in the Police Officer Job Descriptions.

The Police Department schedules police patrol service with four (4) platoons working twelve (12) hour shifts. A Sergeant supervises each platoon. Corporals are in charge when Sergeants are off. Corporals and Officers are assigned zones to handle calls for service.

Corporals and Patrol officers respond to incidents and complete reports of initial investigations. Incidents are entered into the Alert Computer System. The Patrol Sergeant reviews the accuracy and content of the reports.

B. INVESTIGATIONS/DETECTIVE BUREAU

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

When a call on a criminal matter results in an arrest by a Patrol Officer, the Detective's role is usually limited to assisting. The Detective assists with filing complaints, recovering property, when appropriate, and determining whether arrestees are responsible for other unsolved crimes. When a call on a criminal matter does not result in an arrest by a Patrol Officer, identity of offenders is not known, and apprehension of an offender is not imminent, criminal investigators begin follow-up investigations. The responsibility of a Patrol Officer in these instances is to conduct a thorough preliminary investigation, gather as much information about the nature of the crime and physical evidence as is available and practical. Departments must promote the effectiveness of the preliminary investigation process. This is accomplished by providing field report forms that are structured to ensure that essential information and evidence are sought and by having expert crime scene criminal investigators, evidence specialists, or both.

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

The Investigative Supervisor (Sergeant) must coordinate and manage the entire follow-up process to ensure that a Department's limited manpower is used in the most productive manner. To maximize investigations productivity, which is measured by case clearances, criminal investigations units should use solvability factors to determine which cases have a reasonable potential for clearance and will, therefore, be followed up. Cases that do not have a potential for clearance should not be followed up. When cases are not followed up, complainants should be so notified and told why the case is not being investigated further.

Supervisors must distribute workload equitably, establish guidelines for the amount of time that can be committed to individual investigations, authorize investment of "exceptional" time on investigations and ensure that the case clearances and closures comply with UCR standards. Supervisors must evaluate the performance of the entire unit and the performance of the individual investigators.

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

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

Current Conditions in the West Chester Borough Police Department:

The West Chester Borough Detective Bureau functions on a full-time basis. There is a Sergeant and Corporal that supervise the Detective Bureau. As the reports come in from the Patrol Bureau, the Detective Sergeant reviews all reports. He determines to which Detective he is going to assign the follow-up investigation.

The Detective Sergeant formally supervises follow-up cases. It is relevant to consider here, and will be addressed later in this report, that the average “clearance rate” of Part I Crimes for West Chester Borough is 25.46% from 2012 through 2016. During the same time period, the entire Chester County’s clearance rate is 30.23%. It should be noted that WCPD’s statistics are part of the county figures. As can be realized, West Chester Borough’s Part I clearance rate is 4.77 or 15.78% less than the county as a whole.

It is also relevant to consider, and will be depicted later in this report, that the average “clearance rate” of Part II Crimes for West Chester Borough is 77.62% from 2012 through 2016. During the same time period, the entire County’s clearance rate is 52.48%. Again, it should be noted that WCPD’s statistics are part of the County figures. West Chester Borough’s Part II clearance rate is 25.14 or 32.39% greater than the County as a whole.

The manner in which the Detectives working in this unit does appear to have justification with regard to workload (correlation to the number of Part I and Part II crimes) reported or the investigations being conducted, and/or case clearance rates. There is a professional policy,

methodology, and procedure about the manner in which cases are selected for follow-up investigation. Solvability factors are formally considered throughout the investigative process.

Evaluation:

The current basic organizational scheme appears to produce effective results. Policies and procedures appear adequate as reflected in Department's Clearance Rates published in the Pennsylvania Uniform Crime Report.

Recommendations:

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

1. Consider the current "Span of Control" for the Corporal position when Collective Bargaining and Attrition present the opportunity.
2. Revisit the investigation of Part I crimes and methodology of Uniform Crime Reporting in an attempt to improve the Clearance Rate.

C. POLICY

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

A Police Department should have a standing policy in every area of significance as to its role and operations. Consensus on even the approximate number of areas, which are significant and the nature of the areas does not exist. A contemporary, high quality manual that the IACP uses as a model contains 151 individual policy statements. Policy must be definitive, clear and comprehensive. It must be written so that it can be uniformly communicated and understood. Having policy in writing is a major defense in liability situations, assuming that policy is also appropriate and constitutional. Although the policy positions of a Department are ultimately those chosen by the Chief of Police, members of a Department should be relied upon to help identify areas in which new policy is needed, areas in which current policy must be modified and to help formulate policy. Staff involvement enriches the policy identification and formulation process and gives staff an investment in the product. Policy development and modification should be ongoing. A Department's entire body of policy should be comprehensively reviewed, at least biannually. The review should focus on the need to change existing policy and to establish new policy. Special attention should be directed toward eliminating conflicts and redundancy in policy.

Current Conditions in the West Chester Borough Police Department

The policies of the West Chester Police Department are contained and distributed in a Department Manual. The Manual also contains job descriptions that include the essential functions of the job.

Evaluation:

Although an in-depth review was not conducted, the Department appears to have developed a Records Section that appears to be in compliance with established professional standards.

Recommendation:

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

1. Continue to routinely inspect policy, rules and regulations manuals for completeness and accuracy.
2. Consider Accreditation by the Pennsylvania Chiefs of Police Association.

D. RECORDS

A Police Records System must be complete and accurate in its information gathering capability, swift in its ability to deliver needed information and operated at a minimal cost. With such a system, a Police Department may keep a watchful eye on the criminal activities in the community and monitor its own success in suppressing these criminal activities. Without high-quality information, no Police Department can hope to provide the kind of service that the taxpayers deserve.

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

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

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

Current Conditions in the West Chester Borough Police Department

The Records Section receives day-to-day attention and functions under standard operating procedures. The records are maintained in the Central Records area under adequate security. This section provides all support services for the entire Police Department operations. In addition the Unit provides records maintenance, data entry, completing and maintaining statistics and preparation of the monthly report, false alarm billing, clerical and secretarial support to all divisions, and a myriad of duties too numerous too list. The Records Section is staffed with two (2) full-time civilian employees.

Evaluation:

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

Recommendations:

None

E. DISPATCHING

Dispatching service is provided by the West Chester Borough Police Department Dispatch Center. The Borough is not part of the Chester County Emergency Operations Center. The Dispatcher handles walk-in complaints, citizens requesting fingerprint services, general information. There are six (6) civilian Dispatchers, one (1) of which is the Chief Dispatcher.

Current Organization and Staffing Evaluation:

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

- Responsibility must be clearly fixed to ensure that every function of a police agency should provide is performed.
- Responsibility for every function that a police agency performs must be clearly assigned to one person.
- Functions which are similar or related in purpose, process, method, or clientele should be grouped together in one or more units.
- Responsibilities, duties and authority of units should be clearly defined and delineated so that accountability can be fixed and duplication of effort and non-performance of duties due to failure to assign can be prevented.
- Responsibilities, duties and authority of units should be known to all members of a Department through written directives.

- Only one person should control each unit and each individual, thus achieving the principle of unity of command and avoiding the friction that results from duplication of direction and supervision.
- Names of organizational units should reflect purpose.
- Specialized units should exist only if they significantly increase overall departmental capability.
- Control channels should exist to enable information to flow up and down, and to enable management to delegate authority, place responsibility, supervise work and coordinate efforts. These channels should be well understood by all members of a Department to ensure that they know to whom they are responsible and who is responsible to them.
- Span of control must be broad enough for economical management and supervision, but not so broad that managers and supervisors cannot manage or supervise effectively.
- Each assignment or duty must be paralleled by commensurate authority to fulfill the responsibility.
- Persons to whom authority is delegated should be held accountable for the use of the authority or the failure to use it.

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

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

Lee P. Brown, past President of the IACP stated: “A leader is a visionary, charting a course for the organization then guiding it toward the chosen destination. A leader influences others to achieve stated purposes and reach the goals that are consistent with established values. Courageous individuals, leaders are those who dream and have the ability not only to share their dream with others, but, to translate the dream into reality.”

Recommendations:

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

II: TOOLS FOR EVALUATING DEPARTMENT EFFECTIVENESS IN FIELD OPERATIONS

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

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

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

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

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

**TABLE 1
WEST CHESTER BOROUGH POLICE DEPARTMENT
ACCIDENT ENFORCEMENT INDEX**

Year	Citations Issued	Injury Accidents	Enforcement Index
2012	3419	23	148.7
2013	3597	24	149.9
2014	3559	37	96.2
2015	2580	20	129.0
2016	2498	25	99.9

Source: West Chester Borough Police Department Records Section

Findings:

1. The table indicates that WCBPD’s traffic enforcement index significantly exceeds optimum during the five (5) years above.
2. Citations issued in the WCBPD decreased from 3,419 during 2012 to 2,498 during 2016 or (921 - 26.94%) over the five (5) year period.
3. The total five (5) year enforcement record (15,653 divide by 129 = 121.3) suggests a patrol mission that subscribes to an “aggressive” patrol strategy.
4. Injury Accidents have a five (5) year average of less than 25.8 per year with an enforcement index of 121.3.

Note: The above “Injury” Accidents Column is “Reportable” Accidents recorded by WCBPD. Injury Accidents will be **less** in number than Reportable Accidents, which means their Enforcement Index is greater than the above figures. There were four (4) Fatal Accidents during the five-year period.

Recommendations:

1. Although the AEI is exceptionally impressive, research, evaluate and consider the causal factors impacting the decline during 2014 and 2016.

Reported Part I Index Crimes

Table 2, Reported Part I Index crimes 2012 – 2016, follows and summarizes the number of serious crimes reported to the WCBPD during this five (5) year period ending December 31, 2016. Index crimes are commonly used to portray the level and nature of crime in a jurisdiction. Part I crimes include the offenses of Homicide, Rape, Robbery, Aggravated Assault, Burglary, Larceny, Motor Vehicle Theft, and Arson.

**TABLE 2
WEST CHESTER BOROUGH POLICE DEPARTMENT
REPORTED PART I INDEX CRIMES
2012-2016**

Year	Murder	Rape	Robbery	Assault	Burglary	Larceny Theft	Motor Vehicle Theft	Arson	Total
2012	1	12	27	37	122	427	24	0	650
2013	1	16	28	28	90	305	22	0	490
2014	0	6	20	18	61	301	14	0	420
2015	1	13	24	39	48	273	15	1	414
2016	0	18	19	24	68	321	16	18	484
TOTAL	3	65	118	146	389	1,627	91	19	2,458

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

*A table showing, Chester County statistics was not provided due to the sheer volume of information

Findings:

1. West Chester's Index crimes decreased by 16 from 2012 to 2013, decreased 70 in 2014, then decreased 6 in 2015, then increased 70 in 2016. Overall, index crimes **decreased** 166 or 25.54% compared to five (5) years earlier.
2. During that same time period, index crimes across the entire county decreased 1,096 from 8,607 in 2012 to 7,511 in 2013; decreased 522 to 6,989 in 2014, then decreased 482 to 6,507 in 2015. Index crimes decreased 451 to 6,958 in 2016. Overall, index crimes **decreased** 1,649 or 19.16% compared to five (5) years earlier.
3. In WCPD jurisdiction, the greatest number of Part I crimes (650), were reported in 2012. Chester County also experienced the greatest number of Part I crimes (8,607) in 2012.
4. Larceny-Theft was the crime category most frequently reported in WCPD and Chester County. Burglaries and Assault followed as the number two (2) and three (3) crime categories in the Borough and across the entire County.
5. WCPD's five (5) year average clearance rate was 25.46%. The County average was 30.23%.

*A table showing, Chester County statistics was not provided due to the sheer volume of information

Crime Rate

A review was conducted of the reported crime in West Chester Borough Police Jurisdiction over the past five (5) years from 2012 through 2016 as reported in the Uniform Crime Report, compiled by the Pennsylvania State Police, Bureau of Research and Development.

The same review, for the same time period, was conducted for the entire Chester County for comparison purposes. This allows West Chester Borough to better understand the Crime Trends in their jurisdiction in comparison to all the reporting municipalities across the County. It should be noted that the WCPD statistics are included in the County statistics.

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

**TABLE 3
CRIME RATE COMPARISONS
2012-2016**

MUNICIPALITY	POPULATION CALCULATION	PART 1 CRIMES	CRIME RATE	YEAR	CLEARANCE RATE
WCPD	100,000 18,461 = 5.42	X 650	3,523.0	2012	24.92%
		X 490	2,655.8	2013	24.49%
		X 420	2,276.4	2014	27.38%
		X 414	2,243.9	2015	26.33%
		X 484	2,623.3	2016	24.17%
Chester County	100,000 498,886 = .12	X 8,607	1,721.4	2012	27.57%
		X 7,511	1,502.2	2013	28.21%
		X 6,989	1,397.8	2014	31.55%
		X 6,507	1,301.4	2015	33.18%
		X 6,958	1,391.6	2016	30.63%

Source: Pennsylvania Uniform Crime Reporting System

Findings:

1. The data suggests that WCPD, over a five (5) year period from 2012 to 2016, has experienced a **decrease of 899.7 or 25.54%** in the crime rate, down from 3,523.0 in 2012 to 2,623.3 in 2016.
2. Chester County over the same time period has also experienced a **decrease of 329.8 or 19.16%** in the crime rate, down from 1,721.4 in 2012 to 1,391.6 in 2016.
3. West Chester Borough's Crime Rate is greater than the County average.

Evaluation:

From the data examined, West Chester Borough Police Department appears to be clearing a lower percentage (25.46%) of crime compared to the County percentage (30.23%) of crime. The Borough's Crime Rate average (2,664.48) is greater than the County Crime Rate average (1,462.88). Part 1 crime is decreasing at a greater rate across the County than in the Borough.

Conviction Rate

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

Evaluation:

West Chester Police Department does not specifically track conviction rate information regarding the disposition of offenders charged with committing crimes within their jurisdiction. The WCPD “Monthly Activity Report” does include information on the number of crimes occurring but not being investigated or prosecuted in the Township. Therefore, for the purposes of this report, it was not possible to determine “conviction rate” data.

Recommendation:

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

Reported Part II Index Crime

Table 4, Reported Part II Index Crimes summarizes the less serious crimes than the Part I index crimes reported by the West Chester Borough Police Department during the five (5) year, time period from 2012 through 2016.

TABLE 4
WEST CHESTER BOROUGH POLICE DEPARTMENT
REPORTED PART II INDEX CRIMES
2012-2016

Crime	2012	2013	2014	2015	2016	TOTAL
Other Assault	225	174	157	173	169	898
Forgery	12	11	2	2	11	38
Fraud	52	41	68	136	94	391
Embezzlement	0	0	1	0	0	1
Stolen Property	7	5	2	2	6	22
Vandalism	380	307	253	277	245	1462
Weapons	6	5	6	3	3	23
Prostitution	0	0	0	0	1	1
Sex Offenses	31	19	32	16	23	121
Narcotics	116	88	78	56	44	382
Gambling	0	0	0	0	0	0
Family Offenses	0	0	0	0	2	2
DUI	176	179	150	119	78	702
Liquor Laws	228	212	159	120	94	813
Drunkenness	423	405	370	286	256	1,740
Disorderly Conduct	83	78	74	62	73	370
Vagrancy	4	2	2	0	6	14
All Others	603	541	524	325	343	2,336
TOTAL	2,346	2,067	1,878	1,577	1,448	9,316

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

Findings:

1. Part II crimes decreased 898 or 38.28% in WCPD, down from 2,346 in 2012 to 1,448 in 2016.
2. During the same time period, Chester County Part II crimes increased 1,377 or 17.85%, up from 17,536 in 2012 to 18,913 in 2016.

3. During the five (5) year time period, and All Others 2,336, Drunkenness 1,740, Vandalism 1,462, and Other Assaults 898 recorded the top four (4) Part II crimes reported in the West Chester Borough Police Department.
4. During the same time period crimes reported across the entire County, All Others 2,336, Vandalism 12,508, Disorderly Conduct 12,160, and Driving Under the Influence 10,321, were the top four (4) Part II crimes reported across the entire County. Again take note that the County statistics include Part II crimes reported by the WCPD.
5. WCPD five (5) year (2012 – 2016) Part II clearance rate was greater (77.62 %) compared to the Chester County average of 52.48%.

It is also noteworthy to consider that West Chester Borough is experiencing a **greater** (38.28%) **decrease** in reported Part II crime than the Counties (7.08%) reported decrease. The most frequently occurring crimes, county wide, are identical during this five (5) year period.

Total Crime Statistics Notes:

1. There were 11,774 total crimes (2,458 Part I and 9,316 Part II) reported to the West Chester Borough Police Department during the study period (2012 through 2016).
2. Serious crimes totaled 2,458 or 20.88% of the total (2,458 of 11774).
3. Less serious crimes totaled 9,316 or 79.12% of the total (3,140 of 5,143).
4. Larceny Theft was the most frequently reported crime and accounted for 80.27% (1,647) divided by 2,458 = 67%) of the serious crime in the Borough.
5. In comparison, for that same period of time across Chester County, Larceny Theft accounted for 71.06% (25,987 divided by 36,572 = 71.06%).

III: MANAGEMENT, TECHNICAL AND SUPPORT SERVICES

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

The Chief of West Chester Borough Police Department bears ultimate responsibility for achieving objectives and for the effectiveness of the management process. Because the Chief cannot be omnipresent nor conduct the management process by himself, responsibility must be delegated to division and section commanders and supervisors. To manage the Department effectively, the Chief and his delegates must have the support of a number of executive or

administrative services, principally research and planning, legal counsel, public information and fiscal management.

ORGANIZATIONAL OBJECTIVES

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

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

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

Current Conditions in the West Chester Borough Police Department

The Department has policy in this area.

Evaluation:

None.

Recommendations:

None.

A. INTERNAL COMMUNICATIONS

A variety of techniques should be used, in addition to written directives, to communicate intended objectives, policies and procedures to Department personnel. Those found to be effective, when properly designed and administered, are staff meetings, distribution of staff meeting summaries and/or similar in-house communications media; roll-call discussions; work

site and field visits by the Chief of Police and other departmental executives; major events, such as awards presentations, which rank-and-file employees are expected to attend; and frequent interaction, both formal and informal, between police executives and benevolent, Fraternal Order of Police or union association representatives. While these communication mechanisms are designed to help Department Commanders and Supervisors communicate and direct downward, a number of them provide a simultaneous opportunity for rank-and-file officers and employees to communicate upwards – to ask questions, make comments and generally express feelings and concerns. A Department should take every opportunity to use these situations and mechanisms to improve upward communications.

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

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

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

A. Current Conditions in West Chester Borough Police Department

The Chief has regularly scheduled weekly staff meetings, visits the Department on evening or night shifts and attends monthly Public Safety Committee meetings. There appears to be standing committees, such as a five (5) year Strategic Plan Committee that enable management and non-management personnel to work to on any issue regardless of the importance of the issue. The exception is the officers of the labor organization who meet with Borough Officials on contractual matters. At times, this may tend to be oriented more toward adversarial relationships than it does toward harmonious relationships.

Evaluation:

The Department does utilize most of the internal communications mechanisms available.

Recommendations:

None.

B. SUPERVISION

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

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

Findings:

There are three (3) Lieutenants that provide Command supervision Over Operations, Administration and Support Services. There are twelve (12) supervisory positions in the Department. There are five (5) Patrol Sergeants and one (1) Detective Sergeant. There are six (6) Patrol Corporals and one (1) Detective Corporal.

Supervision within the entire Department is one of the strong aspects of the Department's management process. This is due, in part, because the Department's size allows for an esprit de corps due to the closeness of all Department members.

The Chief subscribes to journals and publications such as, but not limited to, Americans for Effective Law Enforcement, The Effective Executive, Labor Contract Law Bulletin, The Chief's Bulletin, etc. These publications are made available and are required reading for the Lieutenants, Sergeants and Corporals.

Recommendations:

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

Evaluation

None.

Recommendations

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

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

C. MANAGEMENT CONTROLS

Results are not achieved only by issuing orders, or by directing an objective to be achieved, a plan implemented, or a task undertaken. To achieve a desired end, management must do more

than direct. It must control. Control is the process of ensuring that policies, procedures and operations correspond to the intent and directives of management. Control is part of a larger four-step process. Determining what results or objectives are to be achieved and selecting policies, procedures, and operations to achieve them is the first step. Issuing directions designed to produce the desired results is the second step. Monitoring the operations to identify undesirable deviations is the third step. If operations are proceeding as planned and monitoring does not disclose deviations there is no need for action. If the monitoring discloses deviations or side effects, then action must be taken. Correcting the deviation, or undertaking some other course of action designed to promote success, is the fourth step. These last two steps are the elements of control. Line inspections, staff inspections and internal affairs reviews are three (3) forms of management controls that should be administered in every police department.

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

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

There is a common feeling among police administrators that close proximity to subordinates reduces or eliminates the need for continuing the inspection process. This belief is especially prevalent in small agencies, but is without basis. Police administrators should hold all supervisors responsible for line inspections. The Chief of Police should also assign responsibility for staff inspections to a command individual who has a comprehensive understanding of the Department as well as the Department’s policies and procedures. Members of a Department should view inspections as a normal and desirable administrative activity. They should be completely informed about reasons for inspections, the nature of inspection procedures to be used, and the consequences, which will follow when deficiencies are noted and reported. Covert inspections should be conducted only when a probability exists that very serious conditions detrimental to the best interests of a Department are present. Even then, covert

inspections should be conducted only under the immediate direction of the Chief of Police. Although covert inspections usually unearth a greater number of defects than open inspections, they also engender serious morale problems when used routinely. Covert inspections should be resorted to only when it is absolutely necessary to protect the Department from grave public embarrassment. For the most part, open inspections, known and anticipated by the employees, will produce desired remedial results.

B. Current Conditions in the West Chester Borough Police Department

The Department does have a formal, comprehensive, agency wide inspections program. The Support Services Lieutenant conducts formal line and staff inspections and Patrol Section Sergeants do limited inspections (inspecting vehicles for damage and operating condition).

Findings:

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

Recommendations:

None.

D. INTERNAL AFFAIRS

A Police Department cannot be successful for very long without public belief in its integrity. Integrity is demonstrated and protected through a strong, fair and responsive Internal Affairs process. This gives notice to both the community and members of the Department that an agency is willing to “police its own.” It is Management’s way of demonstrating that Officers and civilian employees will be held accountable for complying with sanctioned forms of behavior and punished for violating them.

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

A Police Department should have a simple and efficient system for receiving and processing complaints. Once a complaint has been received, from either inside or outside the agency, it

must be investigated thoroughly and impartially and in a timely manner. Anonymous complaints should be handled in the same manner as any other. Frivolous allegations should be screened out during the preliminary investigation. Minor complaints should be referred to an employee's supervisor. The Internal Affairs Unit should handle serious allegations. Internal Affairs should maintain staff control over all investigations, even when complaints have been referred. The Department must take positive steps to be sure that the public understands how the Internal Affairs process works. Citizens should be notified when complaints are being investigated and advised of the outcome. The investigative phase is the most critical part of the Internal Affairs process. Both the public and the employee must be satisfied that the investigation is thorough and fair. An Officer should be advised promptly when a complaint of misconduct is received, except in those cases where it would jeopardize the investigation. A Department must have a procedure for temporarily relieving employees from duty when charges dictate such action. This form of supervision is to be distinguished from one imposed as punishment following a final determination of misconduct. Neither Officers nor civilian employees have a constitutional right to counsel during an internal investigation, although Departmental policy or labor contracts often establish the privilege. Officers can be ordered to answer questions and submit to a polygraph test. When criminal prosecution is contemplated, Miranda guidelines apply. A search warrant or voluntary agreement is required to search an Officer's home or personal vehicle. Search of a locker or Department office requires neither.

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

C. Current Conditions in the West Chester Borough Police Department

Responsibility for Internal Affairs remains vested with the office of the Chief of Police. The Lieutenant, Professional Standards conducts the investigation and reports findings to the Chief. The Department has policy covering the Internal Affairs process, along with training on conducting such investigations. The Chief of Police does not publish information but does report incidents to the Mayor and Borough Council. The Department is a Home Rule Community.

Finding:

The Department does have written policy on the Internal Affairs Process and appears to be in compliance with professional personnel management practices.

Recommendation:

To strengthen the Internal Affairs function, the Department should consider the following action:

1. Publish a summary of the number, type and disposition of complaints against officers in the Departments' Annual Report.

E. PLANNING

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

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

- Evaluate and recommend improvements to existing programs, systems, procedures and methods.
- Prepare crime projections and complete allocation studies.
- Conduct long-range planning and research to design new systems and develop new policies, procedures and methods.
- Work with Township management to plan and coordinate long-range fiscal needs.
- Conduct demographic studies and research to match future police service in developing community requirements.
- Develop plans for responding to natural or technological disasters and civil disorders.
- They should also subject each existing procedure and operation to a test of efficiency. This is accomplished by applying the following questions:

1. What is accomplished by the procedure or operation?

2. Would the Department's overall operation be materially impaired if the process or procedure were eliminated entirely?
3. Can some other person or unit accomplish the process or procedure more efficiently or effectively?
4. Has another agency found a better way of performing this process or operation?
5. If the procedure or operation is continued unmodified, is the result worth the cost?

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

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

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

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

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

The responsibilities of a Planning Unit should be formalized in a written directive.

D. Current Conditions in the West Chester Borough Police Department

A five (5) year Capital Purchasing Budget Planning Assignment is being conducted by the Chief of Police. Otherwise, there is informal planning being conducted on an ad hoc basis. There is written policy.

Finding:

None.

Recommendations

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

1. Affix responsibility for the planning function in the job description of the Professional Standards Lieutenant of Police.
2. Review written directives on the planning and research function in comparison with the information provided in this area of the report.
3. Prepare an agenda or inventory of planning and research needs. Special care must be taken to ensure that long-range needs are given due consideration.
4. Prioritize items on the agenda. This should be a joint effort of the Chief, Lieutenants, Sergeants, Corporals and support staff.
5. Formally adopt the inventory and the priorities on the work plan for the planning function.

IV: PERSONNEL AND TRAINING

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

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

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

Current Conditions in West Chester Borough Police Department

The primary responsibility for personnel matters for the Department, including recruiting, selection, and personnel records rests with the Chief of Police. When requested, the Chief assists the Mayor and Borough Council with hiring, promotions, salary and related issues.

Disciplinary procedures are ultimately the responsibility of the Chief of Police. The Internal Affairs Function was discussed earlier in this report.

The Department has a formal career development program. It also has a performance evaluation system. The Chief of Police performs employee personnel and the Chief maintains the records.

Findings:

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

Recommendations:

None

A. PROMOTION

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

All aspects of the promotion process must be based on a detailed analysis of positions into which personnel will be promoted. To observe this principle, written job analyses must exist. Written notices that describe qualifications testing procedures to be employed and other essential data needed by potential applicants should be posted prominently, well in advance of the closing date for applications. Three (3) years in grade as a Police Officer should be required for promotion to Sergeant and at least one (1) year in grade should be required for promotion to ranks above Sergeant. Recommended times in grade are considered a good compromise between limiting promotional opportunities to personnel with sufficient experience for advancement and creating a broad competitive base.

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

The “rule of three” should be followed. A Chief of Police should be able to recommend (to the Board of Supervisors, Council members, or Commissioners) individuals for promotion from among the first three (3) qualified or presented to an examining board. This gives a Chief some latitude in the actual promotion of successful candidates. It is unfair to hold the Chief responsible for the performance of the Agency, while at the same time withholding from the Chief some discretionary power in the appointment of supervisory and command personnel from among qualified applicants. The “rule of three” recognizes imperfections inherent in any examination process and provides the Chief an opportunity to exercise professional judgment in selecting staff. At the same time, however, the rule limits the Chief’s discretion to acceptable bounds. To exploit the value of “rule of three”, the Chief of Police should have or be able to obtain knowledge about the capabilities of 39 individuals, the demands of the position to be filled, and the personal attributes necessary for successful performance on the job.

The performance of new Supervisors, normally new Sergeants, should be evaluated every three (3) months during a one-year probationary period. Findings should be discussed with them. Their supervisors should counsel probationers and corrective measures taken to assist those who fall short of expectations. The Chief of Police should give the probationer permanent status only after successful completion of the probationary period and after certification. Those probationers who cannot adjust to the responsibilities of higher rank should be returned to their previous grade, without prejudice.

Mitchell P. Weinzetl, Chief of Police, Buffalo, Minnesota Police Department discussed the concept of succession planning in the Police Chief Magazine, November 2012, page 46. Succession planning is a process through which many organizations – public and private – prepare for the eventual departure of key leaders. Through this process, organizations engage in a variety of strategies to identify individuals who might eventually assume a primary leadership role, generally taking steps along the way to prepare these individuals for transition. This can be important from a strategic perspective because “during a leadership change, a succession plan maintains the continuity of the agency’s mission and reduces uncertainty.”

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

Current Conditions in the West Chester Borough Police Department

The Department is a Home Rule Community and has a written policy and procedure on the Civil Service promotional process. The Department provides any newly promoted supervisors first line supervisory training at the first opportunity. Corporals are required to have completed sixty (60) College Credits and attend Penn State POSIT training; Sergeants are required to have completed ninety (90) College Credits and attend Penn State POLEX training and Lieutenants are required to have a Bachelors Degree and have attended the FBI National Academy.

Evaluation:

None.

Recommendations:

1. Adopt and practice succession planning as discussed above.

B. PERFORMANCE EVALUATION

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

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

The entire evaluation process must meet standards of validity. The evaluation period must be specified on evaluation instruments or otherwise recorded. Evaluations are to be done by the immediate supervisor or supervisors of the employee being rated and reviewed by the supervisor or the rater/raters. The work of all raters should be evaluated for quality and consistency.

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

Current Conditions in the West Chester Borough Police Department

The Department does utilize a Performance Evaluation System.

Finding:

The Department is in compliance with recommended standards in this area of professional personnel management.

Recommendations:

None

C. EDUCATION AND TRAINING

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

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

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

A police agency should provide six (6) types of training: basic, field, specialized, advanced, refresher and remedial.

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

The Municipal Police Officers' Education and Training Act requires that officers receive a minimum of 520 hours of basic instruction. Instruction must include the vehicles code, the crimes code, rules of criminal procedure, legal issues, investigative techniques, interviews, interrogation, surveillance, firearms, first-aid, collection and preservation of evidence and a variety of other topics important to the recruit.

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

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

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

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

Field training officers should be instructed on how to conduct field training. They should have field-training guides and lesson plans. The guides should state training objectives

and describe preferred training methods. Lesson plans should familiarize field-training officers with what recruits are to have learned during recruit training. The field training itself should cover a majority of the situations the trainee will encounter when he or she performs independently.

It is essential to formally evaluate the performance of recruits. Weekly evaluations are counseling sessions to discuss evaluations and permit recruits to ask questions. Sessions should be private and confidential. At the end of the training period, field-training officers should recommend retention, termination, or retention with additional training and/or monitoring. All recommendations must be justified and documented. A recruit whose termination is recommended should be entitled to basic due process protections. Field training should last at least three (3) months.

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

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

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

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

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

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

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

Current conditions in the West Chester Borough Police Department

The Department requires a high school diploma for the position of Police Officer. The national average is 13.5 years across the police profession. All Command and Supervisory Officers have at least sixty (60) College Credits with several having a Bachelors Degree.

The Chief of Police, Lieutenants, Sergeants and Corporals have attended the Pennsylvania State University POSIT and POLEX, Advanced POLEX and the FBI National Academy training programs. This is particularly commendable for a medium size department.

Evaluation:

The Department's training program appears to be in conformance with professionally accepted standards. The Department has members trained as instructors in the areas previously discussed on page 3 and 4.

Recommendation:

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

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

V: FACILITIES, VEHICLES AND EQUIPMENT

A. FACILITIES

Current Conditions in the West Chester Borough Police Department

The Police Department headquarters is located on the lower level of the municipal building. The Borough Municipal offices are on the upper ground level floor. The Police rooms are as follow:

- a. PEO Room,
- b. Warrants Office,
- c. Parking Directors Room,
- d. Women's Room,
- e. Men's Room,
- f. Mechanical Storage Room,
- g. 3 Utility Closets,
- h. Janitor's Closet,
- i. Administration/Records Room,
- j. Copy Room,
- k. Evidence Room,
- l. Cell Block – 4 Cells,
- m. Garage,
- n. Video Arraignment Room,
- o. Livescan Room,
- p. Sergeants Office,
- q. Armory,
- r. Briefing Room,
- s. Vestibule,
- t. Community Resource Room,
- u. Squad room,
- v. Woman's Locker/Shower Room,
- w. Conference Room,
- x. Equipment Storage Room,

- y. Evidence Processing Room,
- z. Office,
- aa. Lobby
- bb. Administrative Assistant's Office,
- cc. Lieutenant's Office.
- dd. Police Chief's Office.

Finding:

The facility is clean, however, not adequate for the purpose. The Borough Police Department is currently exploring three (3) locations with plans to move to a new facility this November.

Recommendation:

None.

B. VEHICLES

The vehicle fleet records keeping is coordinated by two (2) Police Officers that report to the Lieutenant of Support Services. The fleet is serviced by the Borough Department of Public Works and report to the Chief regarding purchase needs. There is a five (5) year plan for replacements and Detectives vehicles are replaced with hand me downs. The current fleet is as follows:

**TABLE 5
VEHICLES INFORMATION
WEST CHESTER BOROUGH POLICE DEPARTMENT**

Equipment #	Year/make	2016 Beginning Miles	Ending Mileage	Purpose/Usage
01-13	NEW	NEW	NEW	Patrol
01-14	2013 Ford	35,916	47,015	Patrol
01-15	2017 Ford	0	1,059	Patrol
01-16	2017 Ford	0	1,261	Patrol
01-17	2015 Ford	4,121	20,174	Patrol
01-18	2014 Ford	25,703	37,025	Patrol
01-19	2015 Ford	5,302	26,502	Patrol
01-20	2014 Ford	27,955	43,971	Patrol
01-21	2013 Ford	26,099	36,399	Patrol
01-22	2013 Ford	-	49,361	Patrol
01-23	2015 Ford	1,967	12,405	Patrol
01-24	2013 Ford	40,314	44,254	Patrol
01-25	2013 Ford	46,881	53,950	Unknown
01-A1	2014 Ford	15,459	25,316	Administration
01-A2	2013 Ford	55,523	73,285	Administration
01-A3	2013 Ford	Out of Service	Out of Service	Administration
01-D1	2010 Ford	-	-	Detectives
01-D2	2005 Ford	-	80,391	Detectives
01-D3	2009 Ford	-	101,937	Detectives
01-D4	2006 Ford	-	-	Detectives

West Chester Police Department Records

Evaluation:

The current vehicle fleet is impressive. The Department has a five (5) year Capital Replacement Program for vehicles. Detectives utilize hand-me-down vehicles.

Recommendations:

None.

C. EQUIPMENT

There is so much equipment involved in police work that a complete review was not conducted. The Department Quartermaster is tasked with conducting and maintaining an inventory of property and equipment.

Evaluation:

None.

Recommendation:

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

VIII: GOVERNING BODY – POLICE DEPARTMENT RELATIONSHIP

The West Chester Borough Mayor is assigned with authority and responsibility to govern the Borough Police Department. The Chief works with and reports to the Mayor as he fulfills his responsibilities. The Chief attempts to keep Borough Council informed of matters of mutual concern and/or interest.

Current conditions in the West Chester Police Department

There appears to be a healthy and positive relationship with the governing body and the Police Department personnel. The Chief attends regularly scheduled Council meetings.

Evaluation

None.

Recommendation

To strengthen the Governing Body – Police Department relationship, the Borough should consider the following actions:

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