ESI ECONSULT SOLUTIONS INC.

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Early Intervention Program
Five-Year Financial Plan

Borough of Pottstown

Submitted to *Date: May 8, 2019*

Borough of Pottstown
100 E. High St.
Pottstown, PA 19464

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Executive Summary

The Borough of Pottstown (the "Borough" or "Pottstown") faces long-term financial challenges that threaten to undermine its ability to provide essential services to its residents. In recent years, the Borough has achieved operating surpluses and built a substantial operating fund balance, which has put Pottstown in the position to address these challenges. However, the Borough is suffering from a long-term trend of stagnant revenue growth, a contracting tax base, and unfavorable socio-economic and demographic trends that, left unchecked, will make it difficult for the Borough to continue to grow in the future..

Exhibit ES.1-Baseline General Fund Projection, 2019-2024[1]

	2019 Budget[2]	2020	2021	2022	2023	2024
Revenues	$13,252,000	$13,242,000	$13,341,000	$13,442,000	$13,545,000	$13,650,000
Expenses and Transfers	$13,252,000	$13,437,000	$13,780,000	$14,132,000	$14,495,000	$14,869,000
Surplus (Deficit)	$0	($195,000)	($439,000)	($690,000)	($950,000)	($1,219,000)
Beginning Fund Balance	$3,331,000	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000
Ending Fund Balance	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000	($160,000)

Action is required to bridge the gap between revenues and expenses. Pottstown is not facing a near-term emergency, and draconian service cuts or tax increases are not required at this time. However, if the Borough's local economy does not reverse course and the corrective actions outlined in this plan are insufficient to eliminate deficits, more severe actions may be required.

Pottstown engaged Econsult Solutions, Inc. and its partners McNees Wallace & Nurick LLC and SRW Strategies (collectively, the "Project Team") to assist the Borough in developing a comprehensive long-range plan as part of the Commonwealth's Early Intervention Program. The purpose of the program is to establish short-term and long-term financial and management objectives that strengthen the fiscal capacity of local governments and integrate long-term community and economic development strategies that strengthen the local tax base. This Five-Year Financial Plan and Management Audit establishes specific

[1] Throughout the report, personnel expense categories with zero total expenditures do not indicate zero total departmental costs associated with the particular category. Instead, zero total expenses indicate no General Fund costs for the given personnel expenditure category. Due to the cost allocation methodology, personnel costs are allocated across different funds.
[2] 2019 budget amounts are rounded for forecasting purposes. The forecasts included in this analysis are not intended to be exact, but are instead informed estimates of anticipated performance.

measures Pottstown can employ to improve its financial position and enhance its long-term economic viability.

The Project Team has worked closely with the Borough since October of 2018 to construct the Plan. To support this effort, the Project Team has analyzed historical budgets, financial audits, pension actuarial valuations, debt related documents, contracts with key vendors, and other financial records. The Project Team interviewed key Borough officials and senior managers of the Police, Fire, Finance, Streets, Parks and Recreation, and Licensing and Inspections departments, evaluated departmental policies and procedures, and reviewed departmental budget and personnel information. Current operating procedures were evaluated and compared to governmental best practices. The information gathered from these and other activities has been used to develop the comprehensive Five-Year Financial Plan and Management Audit. The Project Team also held a public meeting to solicit input from Borough residents on government services and priorities and also conducted a survey of employees and citizens.

This Plan is organized into three sections, with 12 chapters, an appendix, and this executive summary. The first section presents the financial and socio-economic background of the Borough. The section includes a financial condition assessment and trend analysis to provide an understanding of Pottstown's current financial state and establish a baseline for its future financial position. The section also includes a baseline five-year financial projection that assumes no corrective action is taken. Since local resources are not sufficient to maintain current service levels, these projected operating results show budget deficits.

The Plan then develops a program to improve the Borough's financial position through a combination of expenditure reductions, productivity improvements, and revenue increases. The second section presents the recommendations for the Finance, Police, Fire, Streets, Licensing and Inspections, Parks and Recreation departments, and the Borough Authority as well as general administrative and economic development recommendations. The budgetary impact, responsible party, and target completion date are included within each recommendation. Many of the recommendations show no direct budgetary impact, but these improvements will have a substantial positive impact on the overall operating effectiveness and budgetary performance of the Borough.

The third section includes a financial projection based on revised operating forecasts that incorporate the financial impact of the Plan's policy and management recommendations.

Finally, the appendix includes an analysis of survey results.

The Plan was developed with the goal of providing Pottstown with a set of options for increasing revenues, reducing expenditures, and achieving a structural budgetary balance. The Plan should also provide a framework for public discussion of the Borough's policies, programs, and priorities as well as document the realities of the Borough's fiscal position. While a detailed listing of our recommendations is provided in the body of the document, below is a summary of several main components and principles that form the basis of the Plan.

Revenue Enhancement

Though the Borough ran deficits after transfers in 2015 and 2016, it has balanced its budget in recent years and maintained a strong fund balance due in part to increases in the real estate tax millage rate. The rate in 2019 is 22 percent higher than it was in 2017. While these increases solidified the Borough's fiscal position, the higher rates are counterproductive to economic development efforts, have a negative impact on tax collection rates, and limit the future rate raising capacity on residents. This Plan recommends that the Borough, to the extent possible, limit the rate of increase in future real estate tax rates to no more than the rate of inflation.

Cost Containment

Cost containment is a critical component of the Borough's plan to achieve structural budgetary balance. Since personnel costs represent approximately 86 percent of General Fund expenses, obviously the Borough's most influential cost driver, these costs must be controlled. This Plan outlines a number of actions to control expenses including limiting salary and wage increases and controlling benefits costs. Most of the Borough's employees are represented, so these recommendations cannot be implemented unilaterally and must be negotiated with the collective bargaining units.

While the Borough must necessarily target personnel costs, this Plan does not recommend any staff reductions in the police force. The Project Team conducted a review of the Borough's police services and determined that compared to other police departments, Pottstown's department is not overstaffed.

Economic Development

Pottstown, like other steel towns in Pennsylvania, has experienced an extended period of economic contraction as the demand for heavy industry has declined in favor of the 21st century knowledge based economy. The loss of population between 1960 and 1990 had a ripple effect of disinvestment in the community leading to lower homeownership rates, loss of local consumers, and an increase in vacancy along the downtown business corridor. These trends have detracted from the quality of life for residents and visitors alike – and are still affecting the Borough today.

As a result, community and economic development is a high-level priority for the Borough Administration. The major goals stated by the Administration include attracting new businesses, filling buildings and streets with activity, reducing red tape, and promoting a safe atmosphere in which all residents and businesses can thrive. Community and economic development was also identified as a priority for residents. In fact, during our community survey, economic development was identified as the top service that the Borough should focus on improving, receiving nearly 38 percent of all respondent votes.

Exhibit ES.2-Revised General Fund Projection with Corrective Action, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Revenues	$13,252,000	$13,307,000	$13,546,000	$13,717,000	$13,890,000	$14,085,000
Expenses	$13,252,000	$13,307,000	$13,470,000	$13,672,000	$13,885,000	$14,084,000
Surplus (Deficit)	$0	$0	$76,000	$45,000	$5,000	$1,000
Transfers to Capital	$0	($100,000)	($125,000)	($150,000)	($175,000)	($250,000)
Beginning Fund Balance	$3,331,000	$3,331,000	$3,231,000	$3,182,000	$3,077,000	$2,907,000
Ending Fund Balance	$3,331,000	$3,231,000	$3,182,000	$3,077,000	$2,907,000	$2,658,000
Fund Bal as % of Exp	25%	24%	24%	23%	21%	19%

Achieving and maintaining structural budgetary balance will require a substantial and disciplined commitment. The Borough must ensure balanced budgets into the future while at the same time encouraging growth in the local private economy. This is no easy task. Dedicated implementation of the Plan and its recommendations coupled with a successful economic development plan will set the Borough on the path toward fiscal stability.

Contents

Executive Summary 4
Revenue Enhancement 6
Cost Containment 6
Economic Development 6
1. Background: The Borough of Pottstown 11
1.1 Introduction 11
1.2 Socio-Economic Review 12
Population 12
Economic and Housing Data 12
1.3 History in the Early Intervention Program 14
The 2009 EIP Report 14
2. Historical Financial Performance 16
2.1 Introduction 16
2.2 Funds Overview 16
2.3 General Fund Results and Fund Balances 17
2.4 General Fund Revenues 19
2.5 General Fund Expenses 27
3. Baseline Forecast of Financial Results 30
3.1 Overview 30
3.2 Forecast Assumptions 30
Revenues 30
Expenses 33
3.3 Baseline Operating Forecast 36
4. Workforce 39
4.1 General Fund Personnel Expenses 39
4.2 Recommendations 43
5. Administration and Human Resources 51
5.1 Overview 51
5.2 Summary of Financial Results 52
5.3 Recommendations 54

6. Finance 57
6.1 Overview 57
6.2 Summary of Financial Results 58
6.3 Recommendations 59
7. Police Department 63
7.1 Overview 63
7.2 Department Philosophy 63
7.3 Department Organization 64
7.4 Staffing Levels 65
7.5 Fleet Operations 67
7.6 Physical Plant 68
7.7 Policies and Procedures 68
7.8 Labor Relations 69
7.9 Calls for Service 69
7.10 Crime Rates 71
7.11 Summary of Financial Results 73
7.12 Recommendations 74
8. Public Works 81
8.1 Overview 81
8.2 Summary of Financial Results 82
8.3 Recommendations 84
9. Community and Economic Development 86
9.1 Overview 86
Licensing and Inspections Department 87
9.2 Summary of Licensing and Inspections Department Financial Results 87
Economic Development and Grants 88
9.3 Recommendations 89
10. Borough Authority 93
10.1 Overview 93
10.2 Summary of Financial Results 95
10.3 Selling the Water and Sewer Systems 102
10.4 Recommendations 103

11. Fire 106
11.1 Overview 106
11.2 Summary of Financial Results 106
11.3 Recommendations 109
12. Parks and Recreation 113
12.1 Overview 113
12.2 Summary of Financial Results 113
12.3 Recommendations 116
13. Revised Financial Forecast 119
13.1 Introduction 119
13.2 Summary of Recommendations 121
14. Borough Citizen and Employee Surveys 126
14.1 Overview 126
14.2 Results Summary 126
Community Survey 126
Employee Survey 127
Appendix 129
Community and Employee Survey Responses 129
Community Survey 129
Employee Survey 147

1. Background: The Borough of Pottstown

1.1 Introduction

The Borough of Pottstown occupies approximately 5.5 square miles along the Schuylkill River, on the western border of Montgomery County. The Borough is situated about 40 miles northwest of the City of Philadelphia, 20 miles northwest of King of Prussia, 18 miles southeast of Reading, 32 miles southwest of Allentown and 20 miles north of Exton. In 1701, William Penn deeded the land occupied by the Borough to his son, before John Potts purchased ninety-five acres and founded Pottstown in 1752. On February 6, 1815, the area was incorporated as the second established Borough in Montgomery County.

By the mid 1800's, the extension of the Philadelphia & Reading Railroad and the emergence of the steel industry sparked significant economic and population growth in Pottstown. Steel from the Borough was even used to construct the Panama Canal and the Golden Gate Bridge. However, by the mid to late twentieth century, the national and regional decline in manufacturing initiated a period of disinvestment, de-population, and overall economic decline in Pottstown.

The loss of heavy-industry based businesses and employers has resulted in tax base contraction. Overall property assessment value has declined by an average of 1 percent annually, with a 4 percent reduction experienced from 2017 to 2018 as a result of the sale of the Pottstown Memorial Medical Center to the non-profit Reading Health System. The Borough has maintained a relatively healthy operating position by counteracting tax base deterioration with millage rate increases. The 2019 total municipal millage rate of 12.675 mills is the second highest in Montgomery County. When also accounting for school millage, Pottstown residents still pay the second highest property taxes in Montgomery County.

Exhibit 1.1 –Pottstown Real Estate Millage, 2019

Fund	Millage
General Fund	9.103
Street Lighting	0.337
Parks and Recreation	1.058
Library	0.230
Fire	1.891
Debt Service	0.056
School	40.626

Source: Borough of Pottstown (2019)

The Borough administration has established the revitalization of the community as a priority. Major goals include attracting new businesses, filling buildings and streets with activity, reducing red tape, and

promoting a safe atmosphere in which all residents and businesses can thrive. Residents, too, have expressed eagerness to see community and economic development efforts advance. In fact, EIP Community Survey results identified economic development as the top service that the Borough should focus on improving, receiving nearly 200 (or 38 percent) of all respondent votes.

1.2 Socio-Economic Review

Population

The population of Pottstown continued to decline before plateauing at between 22,000 and 23,000 residents. Overall, as illustrated in Exhibit 1.2, the population growth experienced in Pottstown has underperformed both the County and the State.

Exhibit 1.2 – Pottstown Population, 1970-2017

	Pottstown		Montgomery County		Pennsylvania	
	Population	% Change	Population	% Change	Population	% Change
1970	25,355		625,005		11,800,766	
1980	22,729	-10%	643,377	3%	11,864,720	1%
1990	21,640	-5%	679,541	6%	11,882,842	0%
2000	21,859	1%	750,097	10%	12,281,054	3%
2010	22,302	2%	790,497	5%	12,612,705	3%
2017	22,741	2%	826,075	5%	12,805,537	2%

Source: United States Census (1970-2017)

Economic and Housing Data

As indicated in Exhibits 1.3 and 1.4, in addition to population growth, the Borough also lags the County and State in key economic and housing indicators. The Pottstown median income of $45,634 is roughly half the county median income, with 40 percent of residents earning less than $35,000 per year compared to 19 percent of county residents overall. In addition, 22 percent of Pottstown residents live below the poverty level compared to 6.4 percent of county residents. Poverty level is in part a function of employment level. The unemployment rate in Pottstown has improved recently and is currently 3.9 percent compared to 3.0 and 3.9 percent in the County and State, respectively.

Exhibit 1.3 - Household Income Distribution, 2017

	Pottstown	Montgomery County	Pennsylvania
Less than $10,000	7.5%	3.6%	6.7%
$10,000 to $14,999	7.4%	2.5%	4.8%
$15,000 to $24,999	13.6%	6.3%	10.0%
$25,000 to $34,999	11.6%	6.6%	9.6%
$35,000 to $49,999	14.8%	10.0%	13.1%
$50,000 to $74,999	18.9%	15.7%	18.1%
$75,000 to $99,999	11.3%	13.1%	12.7%
$100,000 to $149,999	10.8%	18.9%	14.0%
$150,000 to $199,999	2.9%	10.1%	5.4%
$200,000 or more	1.1%	13.2%	5.5%
Median Household Income	$45,634	$84,791	$56,951

Source: American Community Survey (2013-2017)

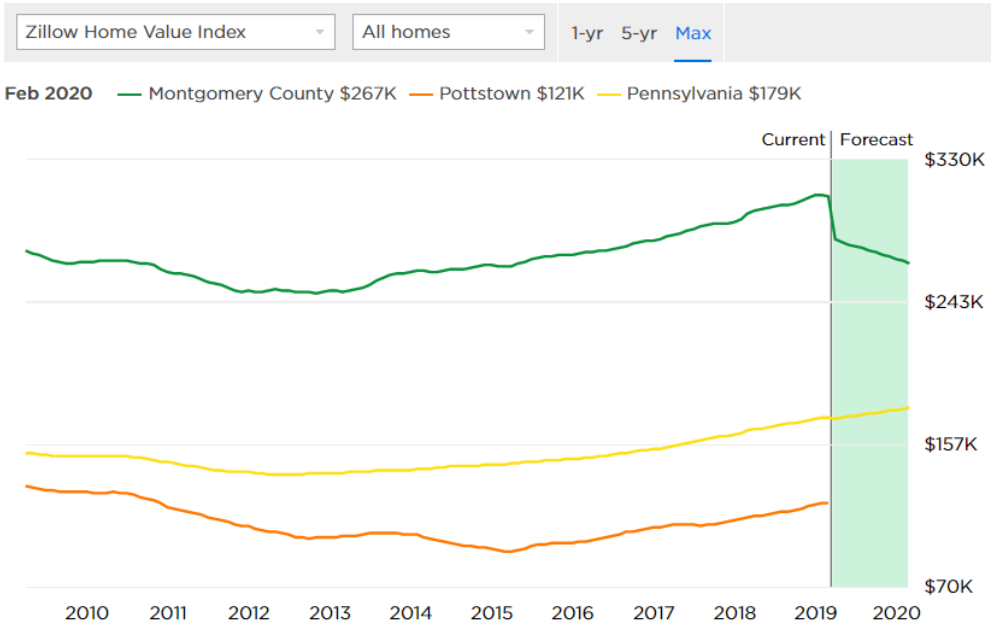
Exhibit 1.4 - Select Economic and Housing Characteristics, 2017

	Pottstown	Montgomery County	Pennsylvania
Housing			
Median Home Value	$127,000	$299,300	$170,500
Owner Occupied Units	50.4%	72.2%	69.0%
Renter Occupied Units	49.6%	27.8%	31.0%
Vacant Housing Units	10.6%	5.5%	11.4%
Income			
Median Household income	$45,634	$84,791	$56,951
Per Capita Income	$23,927	$45,048	$31,476
Percentage of Individuals Below Poverty	22.0%	6.4%	13.1%
Educational Attainment			
High School Graduate or Higher	39.0%	24.1%	35.6%
Bachelors Degree of Higher	18.5%	48.3%	30.1%
Unemployment Rate	8.1%	5.2%	6.5%

Source: American Community Survey (2013-2017)

As illustrated in Exhibits 1.4 and 1.5, in addition to challenges related to income and poverty, the Pottstown housing market has underperformed state and county indicators. The average home value in Montgomery County is nearly 2.5 times higher than the value of the average home in Pottstown. The current Zillow Home Value Index depicts significantly lower home values in Pottstown compared to the County and State, and also shows that, following the housing market crisis, the Pottstown housing market continued to decline while county and state markets began to recover. A housing unit vacancy rate of 10.6 percent compared to 5.5 percent in the rest of the County is also a sign of distress in comparison to the region. In addition, Pottstown residents are significantly more likely to be renters than owners compared to residents of the County and State.

Exhibit 1.5 – Zillow Housing Market Comparison, 2019



Source: Zillow (2019)

1.3 History in the Early Intervention Program

The 2009 EIP Report

Pottstown first participated in the Early Intervention Program in 2009. That report found that the Borough was suffering from economic and tax base contraction. The plan noted structural budgetary imbalance, significant deferred maintenance, and crumbling infrastructure. Developed on the heels of the burst of the housing bubble and ensuing financial crisis, the report projected reduced assessed values that would challenge the Borough to keep pace with growing personnel costs.

The plan included 122 separate recommendations to improve both the delivery of services and the fiscal capacity of the Borough. As recommended in the report, the Borough implemented management and operational initiatives across all departments. It strengthened its overall financial management practices, improved its human resources infrastructure, and implemented best practices in the police department. The Borough has developed capital plans for water and sewer operations and also made operational improvements in the Parks and Recreation department. The report recommended several staffing and organizational structure changes to help improve the effectiveness of the Borough and reduce operating costs.

Immediately prior to, but independent of the 2009 EIP, the Borough eliminated 13 full-time positions and implemented other cost cutting initiatives to balance the General Fund budget. The 2009 EIP report did not recommend restoring those positions, but it did include other organizational changes.

While the Borough successfully implemented many of the key recommendations, some of the changes made at that time have been reversed. The Borough found that many of the positions eliminated to reduce costs resulted in a lack of operating capacity to effectively deliver services to Pottstown residents. The Borough has added to its overall personnel headcount over time, which has, in turn bolstered workforce-supported Borough services, but also put increased pressure on the operating budget. After years of avoiding millage rate increases, the Borough implemented two significant increases in 2018 and 2019.

In 2019, the Borough still faces a tough road to fiscal stability; however, the challenges are not as severe as they were in 2009 in the middle of the worst global economic environment since the Great Depression. The 2009 EIP report was replete with recommendations ranging from minutiae operating issues, such as eliminating specific police cars from the fleet, to high-level initiatives like developing a strategic plan for the Borough and annual departmental plans. This report details management and policy recommendations to build on previous accomplishments and set the Borough on a course to structural budgetary balance. However, this report puts special emphasis on economic development and strategies to stimulate growth in the local private economy. The Borough cannot continue to provide the current level of services to its residents without increasing the capacity of the tax base to generate more revenue. A stronger economy will not only result in more revenues to the government, but will also likely relieve pressure on service demands

2. Historical Financial Performance

2.1 Introduction

This assessment of historical financial performance presents a detailed analysis of operating activity since 2014. An overview of major operating funds is provided, with a detailed analysis of General Fund performance. Thorough assessments of other major operating funds including the Fire Fund, Parks and Recreation Fund, and Borough Authority Funds are presented later in the report. This analysis focuses on General Fund results and fund balance positions from 2014 through 2018, based on independent financial audit data, internally generated revenue, and expense account details. This commentary will also reference the adopted 2019 budget.

2.2 Funds Overview

The Borough of Pottstown adheres to a system of fund accountancy to establish and document the use of both restricted and unrestricted funds. The majority of financial activity is captured in the following major funds:

General Fund

The General Fund serves as the primary operating fund, accounting for all financial resources other than those requiring accounting in another fund.

Fire Tax Fund

Pottstown provides fire protection services through a combination of career and volunteer Fire Department comprised of four different fire companies – the Goodwill Fire Company, North End Fire Company, Empire Hook & Ladder Company; and the Philadelphia Steam Fire Company – with three firehouses (Goodwill and Empire share one firehouse). Fire Department operating activity is reflected in the Fire Fund.

Park and Recreation Fund

The Parks and Recreation Department offers affordable educational and recreational programming while also managing, improving, and preserving parks and facilities. Parks and Recreation operations are accounted for in the Parks and Recreation Fund.

Borough Authority

The Pottstown Borough Authority (the Authority) provides water and wastewater treatment services to the Borough and portions of Lower Pottsgrove, West Pottsgrove, and Upper Pottsgrove Townships. The Authority owns a wastewater treatment plant and leases it to the Borough for operation. Borough Authority activity is captured in the Water, Water Capital, Sewer, Sewer Lines, and Sewer Capital Funds.

Grants

Infrastructure, airport, recreation, and economic opportunity grant activity is included in the Grants Fund.

Pottstown Area Rapid Transit (PART)

The Borough of Pottstown owns, funds, and administers the PART bus system, while daily operations are the responsibility of PART, Inc. The activity associated with the Borough's role as owner, funder, and administrator in included in the PART fund.

In addition to the funds listed above, Borough operating activity is also accounted for in the Street Light, Library, Parking Lots, Airport, Trash, Debt Service, and Liquid Fuels Funds. Pottstown is also responsible for the Police Pension Plan and for the Non-Uniformed Pension Plan.

2.3 General Fund Results and Fund Balances

As illustrated in Exhibits 2.1 and 2.2, the Borough experienced a modest operating surplus in 2014, recorded deficits in 2015 and 2016 after accounting for inter-fund transfers and contributions, before returning to operating surpluses in 2017 and 2018. The Borough transferred $1.5 million and over $520,000 for capital expenses in 2015 and 2016, respectively. In addition, in 2016, approximately $930,000 which had been accumulated in a General Fund savings account was transferred to an Other Post-Employment Benefits (OPEB) trust account. The combination of capital transfers and OPEB contributions resulted in operating deficits in 2015 and 2016.

Revenue has been generally stagnant, growing at an average annual rate of 2 percent from 2014-2018, with a slight decline projected in 2019. Revenue stagnation has primarily been driven by the loss of assessed value. Expenses have increased at an average annual rate of 0.4 percent, and a total of 1 percent from 2014 to 2018. Rising personnel costs have accounted for the majority of expense growth, including significant increases in the pension minimum municipal obligation (MMO).

Overall, the Borough has maintained a relatively healthy operating position by counteracting tax base deterioration with millage rate increases, while adjusting reimbursement to the Borough Authority and employing personnel cost containment strategies.

Exhibit 2.1-General Fund Results, 2014-2018

	2014	2015	2016	2017	2018 Draft
Revenues	$13,144,436	$13,685,861	$13,697,925	$13,856,644	$14,403,171
Expenses	$12,671,263	$12,887,136	$13,351,173	$13,326,829	$12,831,451
Operating Surplus (Deficit)	$473,173	$798,726	$346,752	$529,815	$1,571,720
Inter-fund Transfers and Contributions	$158,094	$1,650,000	$1,771,097	$236,500	$517,250
Net Change	$315,079	($851,274)	($1,424,345)	$293,315	$1,054,470
Beginning Fund Balance	$3,943,908	$4,258,987	$3,407,712	$1,983,367	$2,276,682
Ending Fund Balance	$4,258,987	$3,407,712	$1,983,367	$2,276,682	$3,331,153

Source: Borough of Pottstown Financial Statements (2014-2018), Independent Financial Audits (2014-2017)

Exhibit 2.2-General Fund Results, 2014-2018

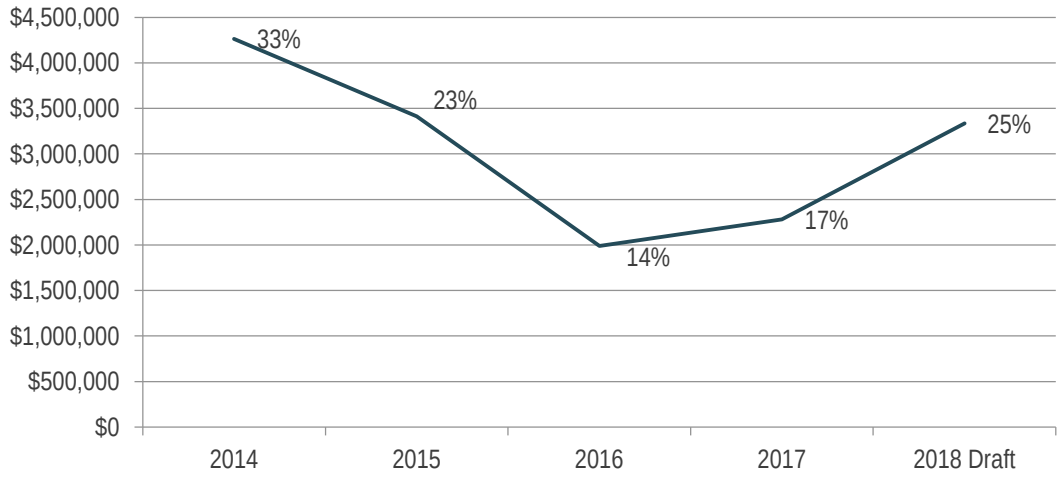


Source: Borough of Pottstown Financial Statements (2014-2018)

The Borough has sustained a strong operating fund balance in recent years, providing budgetary flexibility in the event of unanticipated expenses or revenue shortfalls, while enabling capital investments and OPEB contributions. Borough policy seeks to maintain a fund balance position equal to 15 to 20 percent of the operating budget. The Borough's fund balance as a percentage of General Fund operating expenses decreased from 33 percent in 2014 to 23 and 14 percent in 2015 and 2016, respectively, primarily as a result of capital investments and OPEB contributions. In 2018, the fund balance rebounded to about 25 percent of total expenditures, as a result of actual revenue collections outperforming the budget by roughly $925,000, while expenses were approximately $200,000 under

budget. The surge in revenue was partially the result of higher than anticipated real estate transfer tax revenue. Overall, the current General Fund balance level is within the industry suggested guidelines, which recommend that a local government maintain a fund balance equal to two months of expenditures, equivalent to 17 percent of General Fund operating expenditures.

Exhibit 2.3-Ending General Fund Balance as a Percentage of Total Expenditures, 2014-2018

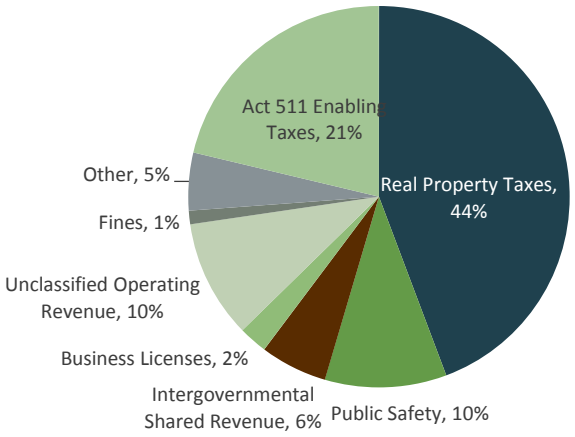


Source: Borough of Pottstown Financial Statements (2014-2018), Independent Financial Audits (2014-2017)

2.4 General Fund Revenues

As illustrated in Exhibit 2.4, real property taxes are the largest source of revenue, accounting for 44 percent of 2018 revenue. Act 511 taxes are the second largest source of revenue, representing 21 percent of 2018 General Fund collections. Over 75 percent of Act 511 revenue is derived from earned income taxes. Public safety income is the third largest source of revenue and primarily consists of crossing guard expense reimbursements, building permits and rental inspection fees and licensing. The Authority provides water and wastewater treatment services to the Borough and portions of Lower Pottsgrove, West Pottsgrove, and Upper Pottsgrove Townships. The unclassified operating revenue category includes an annual management fee and reimbursement of wages for the allocation of time for Authority services.

Exhibit 2.4- Distribution of 2018 General Fund Revenues



Source: Borough of Pottstown Financial Statements (2018)

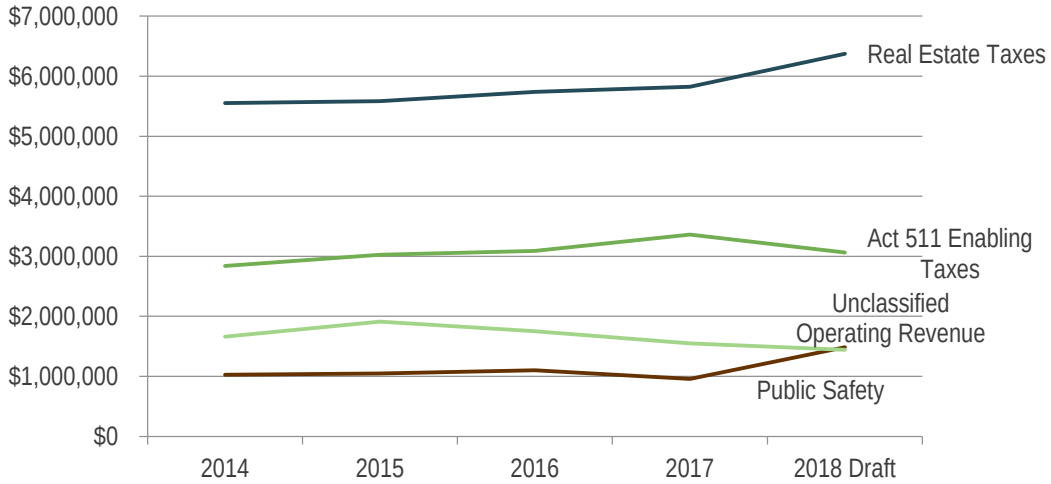
Exhibit 2.5 presents a five-year history of revenue by major category. Revenue has been generally stagnant, growing at an average annual rate of 2 percent, with a slight decline projected in 2019. Revenue stagnation has primarily been driven by the loss of assessed value.

Exhibit 2.5- General Fund Revenues, 2014-2018

	2014	2015	2016	2017	2018 Draft	Average Annual Growth
Real Estate Taxes	$5,554,203	$5,581,955	$5,737,388	$5,821,092	$6,374,210	4%
Act 511 Enabling Taxes	$2,841,791	$3,027,487	$3,087,271	$3,362,444	$3,063,118	2%
Business Licenses	$451,937	$443,254	$377,005	$467,402	$347,751	-5%
Non Business License and Permits	$39,212	$32,008	$36,003	$38,918	$50,362	8%
Fines	$169,695	$208,661	$215,703	$170,470	$165,372	1%
Intergovernmental Shared Revenue	$654,425	$719,186	$756,174	$827,273	$818,176	6%
Grants	$119,312	$169,898	$163,180	$199,957	$190,909	14%
Payment in Lieu Taxes	$13,672	$15,165	$19,181	$24,872	$25,624	18%
Charges for Services	$131,122	$130,666	$127,210	$138,097	$139,757	2%
Public Safety	$1,025,114	$1,047,749	$1,103,685	$959,549	$1,487,217	12%
Contributions/Donations	$152,187	$96,337	$28,027	$9,176	$106,187	221%
Unclassified Operating Revenue	$1,660,822	$1,910,470	$1,754,520	$1,549,941	$1,441,683	-3%
Sales Gen Fixed Assets	$19,491	$0	$66,246	$18,934	$380	NA
Transfers from Other Funds	$60,420	$137,513	$0	$0	$0	NA
Miscellaneous/Other	$99,163	$75,850	$117,330	$84,639	$100,895	6%
Refunds and Reserves	$151,870	$89,663	$109,004	$183,880	$91,531	0%
Total	$13,144,436	$13,685,861	$13,697,925	$13,856,644	$14,403,171	2%

Source: Borough of Pottstown Financial Statements (2014-2018)

Exhibit 2.6 - Key General Fund Revenues, 2014-2018

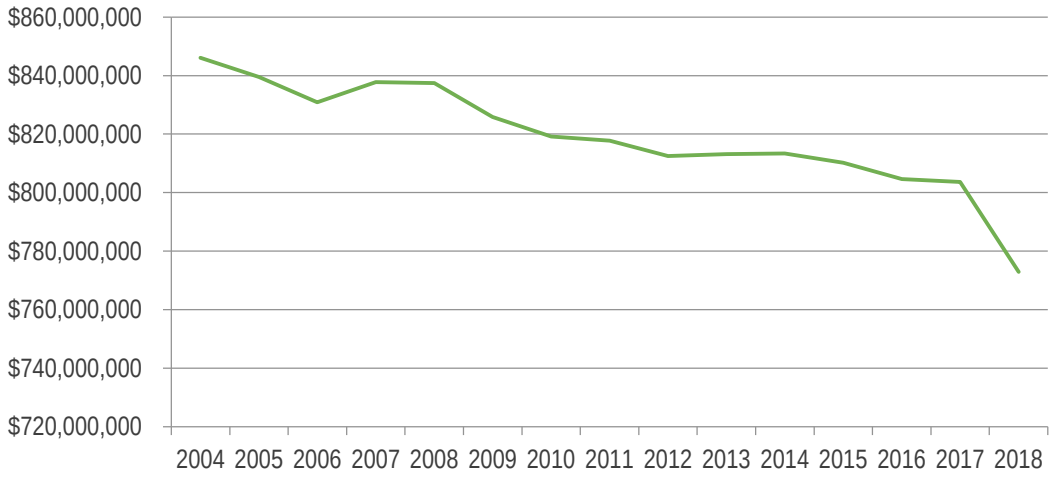


Source: Borough of Pottstown Financial Statements (2014-2018)

Real Estate Tax Revenue

Exhibit 2.7 illustrates total assessment value from 2004 to 2018. Assessment value has declined by an average of 1 percent annually, with a 4 percent reduction experienced from 2017 to 2018 as a result of the sale of the Pottstown Memorial Medical Center to the non-profit Reading Health System. The sale resulted in a loss of over $260,000 in annual property taxes. Since 2012, the Borough has lost over $500,000 in annual revenue as a result of changes in total assessment value.

Exhibit 2.7- Borough of Pottstown Total Assessment Value, 2004-2018

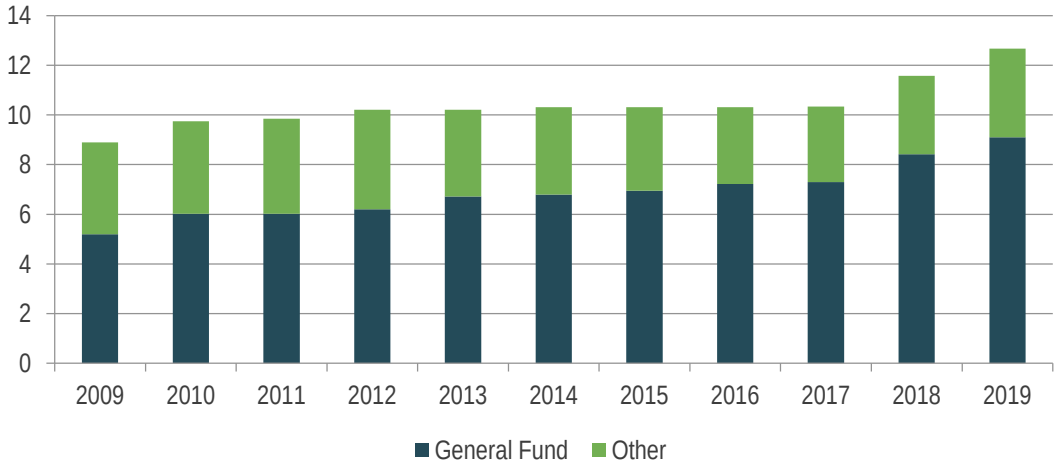


Source: Borough of Pottstown (2018)

The Borough has maintained a relatively healthy operating position by counteracting tax base deterioration with millage rate increases. From 2003-2019, the millage rate has increased at an average annual rate of nearly 6 percent, with the largest increases of 27 and 12 percent occurring in 2007 and 2018, respectively. As the overall millage rate has continued to rise, the General Fund portion of total millage has increased from approximately 56 percent in 2003 to over 70 percent in 2019, indicating that the General Fund portion is driving the majority of the millage rate increase. As illustrated in Exhibit 2.9, the 2019 total millage rate of 12.675 mills is the second highest municipal millage rate in Montgomery County. When also accounting for school millage, Pottstown residents still pay the second highest property taxes in Montgomery County.

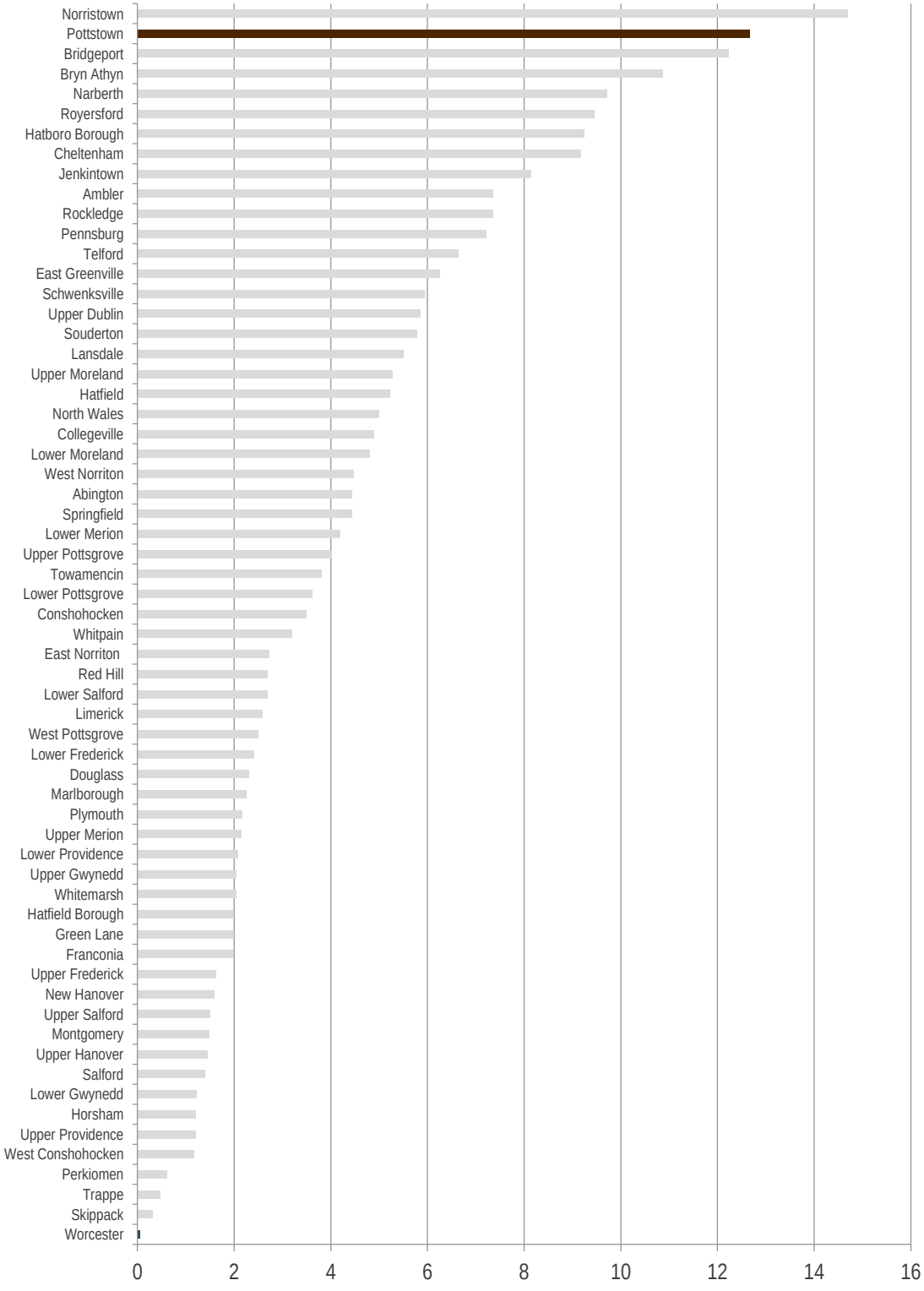
While millage rate increases have helped the Borough maintain a healthy operating position, the increases also hinder resident, business, and investment attraction and retention in comparison to other municipalities in the County.

Exhibit 2.8- Borough of Pottstown Millage Rate History, 2009-2019



Source: Borough of Pottstown (2019)

Exhibit 2.9- Montgomery County Municipal Millage Rates, 2019



Source: Montgomery County (2019)

Act 511 Tax Revenue

Act 511 revenue includes per capita tax, real estate transfer tax, earned income tax (EIT), and local services tax (LST). As illustrated in Exhibit 2.6, from 2014-2018, Act 511 revenue has remained relatively flat at around $3.0 million annually.

EIT

The Borough imposes a 0.5 percent EIT on residents and a 1 percent EIT rate on non-residents. The Pottstown School District also charges 0.5 percent, bringing the full EIT charged to Pottstown residents to 1.0 percent. Historically, approximately 75 percent of Act 511 revenue and 17 percent of the total General Fund budget is derived from EIT. From 2014-2018, EIT collections grew at an average annual rate of 1 percent; however, EIT collections declined in comparison to the previous year in both 2017 and 2018.

LST

The LST is an annual $52 tax charged to every Borough taxpayer that does not qualify for the Low-Income Exemption. The Borough collects $47 annually from each taxpayer and shares $5 with the Pottstown School District. Historically, LST has accounted for roughly 3 percent of the General Fund budget.

Real Estate Transfer Tax

Pottstown real estate transfer tax is imposed at a rate of 0.5 percent on the sale or transfer of real estate located in the Borough. Historically, real estate transfer tax accounts for 2 percent of the budget. In 2017, there was a spike in real estate transfer tax as result of the sale of the Pottstown Memorial Medical Center to the Reading Health System.

Per Capita

The Borough imposes a $5 annual per capita tax on all residents that are 18 years and older. Per capita revenue has historically accounted for 0.4 percent of the General Fund budget.

Public Safety

Public safety income is the third largest source of revenue and primarily consists of crossing guard expense reimbursement, police dean of students reimbursement, and licensing and inspection related revenue. The Pottstown School District reimburses the Borough for the full costs of employing crossing guards. Building permit fees and rental inspection fees and licensing are the largest sources of code enforcement revenue.

Unclassified Operating Revenue

The Authority provides water and wastewater treatment services to the Borough and portions of Lower Pottsgrove, West Pottsgrove, and Upper Pottsgrove Townships. Historically, the Authority is operated by between 22 – 25 Borough employees; however, the Authority receives management, back office and other operating support from other Borough departments. Through 2018, the unclassified revenue category included a reimbursement for the portion of Borough employee time allocated to Authority operations.

In 2019, the Borough transitioned to position-based budgeting in order to shift both earnings and employee benefits from the fund level to each employee in their respective departments. As a result,

the benefits costs are now distributed across funds in the same proportions as wages. This method reduces the need for inter-fund transfers. This adjustment in wage allocation methodology resulted in a significant reduction in wage allocation reimbursement revenue to the General Fund, but concurrently resulted in a shift of General Fund personnel costs to other funds. With the elimination of wage allocation reimbursement revenue, the unclassified operating revenue category primarily consists of an annual Borough Authority management fee totaling $375,000-$420,000 historically.

Other Revenues

After accounting for real estate tax, Act 511 taxes, public safety revenue, and unclassified operating revenue, remaining revenue represented just 14 percent of 2018 operating revenue. Other significant revenue sources include the following:

Business Licenses

On average, from 2014-2018, business license revenue represented 3 percent of the budget. The Comcast Cable Commission fee totaling approximately $400,000 in 2018 and 2019 represents over 85 percent of total business license collections.

Grants

Municipalities rely on county, state, and federal grant funding to support critical functions. Grant funding included in the Borough's General Fund primarily supports police service. The majority of grant activity is captured in the Grant Fund, which has a budget of $2.2 million in 2019.

Intergovernmental Shared Revenue

The intergovernmental shared revenue category is responsible for roughly 6 percent of the General Fund budget and includes state and federal shared revenue. State shared revenue dominates this category, with the pension state aid contribution representing about 95 percent of intergovernmental revenue. The Liquid Fuels Fund also captures shared state revenue historically totals over $600,000, primarily originating from motor vehicle fuel tax revenue.

Fines

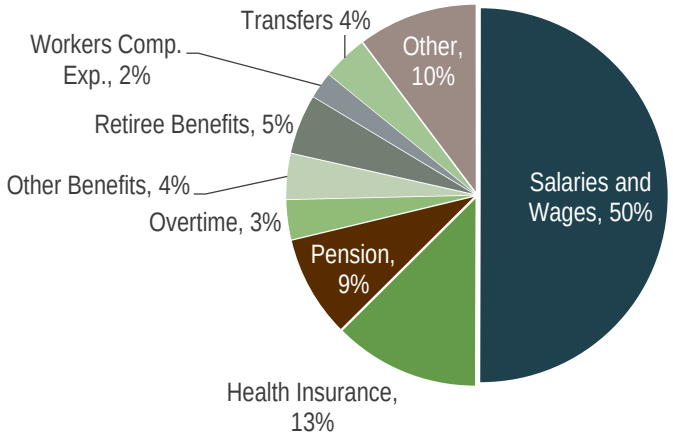
Fine revenue has historically accounted for approximately 1.0 percent of the General Fund budget. Parking ordinance enforcement and district court fines are the primary sources of fine collections.

2.5 General Fund Expenses

As illustrated in Exhibit 2.10, when accounting for transfers and contributions, personnel costs represent 86 percent of 2018 General Fund expenditures. Personnel costs include salaries and wages, overtime, workers' compensation costs, health insurance, retiree benefits, pension, and other benefits such as Federal Insurance Contributions Act (FICA) taxes, education stipends, and compensation for vacation pay. Transfers and contributions were 4 percent of 2018 expenditures and primarily consist of a $500,000 transfer for capital expenses. Remaining expenditures include various expenses such as insurance, repairs and maintenance, and professional services. As personnel costs have continued to rise, largely as a result of mandated contract terms, the Borough has effectively managed other expenses to help support a healthy operating position. In fact, from 2014 to 2018, the Borough reduced General Fund supply, other service, communications, and repairs and maintenance expenses.

This chapter will provide an overview of major expenditure categories and assess overall General Fund expense performance. Because personnel costs dominate the General Fund budget, a full chapter will be devoted to Workforce analysis and recommendations.

Exhibit 2.10- Distribution of General Fund Expenses, 2018



Source: Borough of Pottstown Financial Statements (2018)

Exhibit 2.11 presents a five-year history of expenditures by major category. Expenses have increased at an average annual rate of 0.4 percent and a total increase of 1 percent from 2014 to 2018. As stated previously, the General Fund captures only a portion of overall personnel costs. Rising personnel costs have accounted for the majority of expense growth, including a significant increase in the pension minimum municipal obligation (MMO).

Exhibit 2.11- General Fund Expenses, 2014-2018

	2014	2015	2016	2017	2018 Draft	Change 2014 to 2018
Salaries and Wages	$5,985,167	$6,540,547	$6,754,186	$6,824,064	$6,535,772	9%
Overtime	$640,682	$694,167	$625,932	$632,110	$595,690	-7%
Workers Comp. Exp.	$211,860	$279,010	$308,627	$285,142	$298,533	41%
Health Insurance	$1,442,362	$1,511,717	$1,634,861	$1,799,689	$1,670,186	16%
Retiree Benefits	$464,667	$518,789	$631,188	$405,304	$680,498	46%
Pension	$1,051,929	$1,149,424	$1,199,001	$1,207,616	$1,159,160	10%
Other Benefits	$455,208	$548,889	$573,575	$599,758	$521,848	15%
Insurances	$176,779	$207,051	$205,689	$198,178	$195,445	11%
Supplies	$281,922	$258,712	$246,768	$218,489	$228,039	-19%
Other Services	$507,884	$397,829	$464,702	$370,101	$298,744	-41%
Communications	$172,240	$151,693	$152,661	$120,994	$104,244	-39%
Repairs and maintenance	$293,497	$231,649	$220,260	$139,648	$144,631	-51%
Capital Purchase	$633,474	$97,014	$71,124	$222,655	$164,574	-74%
Contributions	$159,702	$86,615	$136,554	$66,763	$60,187	-62%
Refunds	$67,483	$42,029	$21,591	$127,971	$92,899	38%
Miscellaneous	$126,408	$172,001	$104,454	$108,345	$81,000	-36%
Total	$12,671,263	$12,887,136	$13,351,173	$13,326,829	$12,831,451	1%

Source: Borough of Pottstown Financial Statements (2014-2018)

Personnel Expenses

Workforce related expenses represent 86 percent of 2018 General Fund total expenditures. Personnel costs include salaries and wages, overtime, workers' compensation costs, health insurance, retiree benefits, pension, and other benefits. From 2014 to 2018, personnel costs increased by 12 percent, growing at an average annual rate of approximately 3 percent, nearly double the average annual inflation rate over the same period.

Insurances

Insurance expenses are roughly 1 percent of the budget historically and include insurance policy premiums for vehicle, liability, property, and police related insurance. The Borough has managed overall insurance costs well, holding the average annual growth rate just above inflation at 3 percent.

Supplies

The Borough spends about 2 percent of the General Fund budget on supplies such as vehicle gasoline, office supplies, and utility costs. The Borough has controlled supply expenses, decreasing the overall cost of supplies by 19 percent from 2014 to 2018.

Other Services

Other service expenses account for approximately 3 percent of the General Fund budget. Professional services including general engineering, legal services, code enforcement, and auditing services are included in this category.

Repair and Maintenance

Repair and maintenance expenses are about 1 percent of General Fund expenses, with over 40 percent of 2018 total repair and maintenance expenses spent on vehicles. Between 2014 and 2019, the Borough reduced General Fund repair and maintenance expenses by over 50 percent.

Capital Purchase

Capital purchase expenses vary year by year depending on capital needs. In 2014, the Borough spent over $600,000 on capital purchases compared to approximately $165,000 in 2018. As discussed previously, capital investments activity is also reflected in General Fund transfers to the Capital Savings Fund.

3. Baseline Forecast of Financial Results

3.1 Overview

The baseline financial forecast projects financial position absent any change in current operating procedures and assuming no significant growth in the tax base. The baseline projections establish the framework used to develop the recommendations, which are designed to encourage a stronger financial position and promote structural budgetary balance. Specifically, the recommendations in this report are meant to support an operating position where growth in revenues meets or exceeds growth in expenses. The baseline multi-year forecast uses the 2019 budget as the base year. The chapter then outlines forecast assumptions used to project the operating results for 2020 through 2024.

3.2 Forecast Assumptions

The forecast of financial results is based on reasonable revenue and expense growth expectations. The forecast assumes no corrective actions are taken to avoid the forecasted structural deficit. In the baseline scenario, the rate of expense growth exceeds the rate of revenue growth, resulting in future deficits. This analysis will provide the basis for estimating the full operating gap that must be eliminated in each future year given current conditions.

Revenues

Exhibit 3.1 lists revenue growth rate assumptions by category. As discussed in the analysis of historical financial performance, real property taxes, Act 511, public safety, and unclassified operating revenue are the largest revenue sources, accounting for 86 percent of General Fund revenue.

Real Property Taxes

Total real property assessment value has declined by an average of 1 percent annually, with a 4 percent reduction experienced from 2017 to 2018 as a result of the sale of the Pottstown Memorial Medical Center to the non-profit Reading Health System. When accounting for recent contractions in assessment value, assuming no growth in the tax base, and no millage rate increases, real estate taxes are projected to remain flat.

Act 511 Enabling Taxes

Act 511 revenue includes per capita tax, real estate transfer tax, earned income tax (EIT), and local services tax (LST). From 2014-2018, Act 511 revenue has exhibited an average annual growth rate of just over 2 percent. Historically, approximately 75 percent of Act 511 revenue and 17 percent of the total General Fund budget is derived from EIT. Assuming no change in tax rates nor any significant changes to the tax base, the forecast assumes that growth in Act 511 tax revenue will continue at about of the rate of inflation (2.3 percent).

Public Safety

Public safety income is the third largest source of revenue and primarily consists of crossing guard expense reimbursement, police dean of students reimbursement, and licensing and inspections related revenue. The baseline forecast assumes moderate wage growth in crossing guard salary, resulting in increased reimbursements, and a continued policy of consistently re-assessing code enforcement policies and fees. Overall, the forecast estimates a modest 1.5 percent annual growth rate in public safety income.

Unclassified Operating Revenue

The unclassified operating revenue category includes an annual management fee totaling $375,000-$420,000 historically. This analysis assumes the terms of the agreement between Pottstown and Lower Pottsgrove, West Pottsgrove, and Upper Pottsgrove Townships remain unchanged, as administrative costs increase at the rate of inflation.

The remaining revenue sources, including business licenses, grants, inter-governmental shared revenue, and fines, account for 14 percent of the General Fund budget. The growth rates by category take into account historical performance and inflationary pressures as predicted by the United States Bureau of Labor Statistics Consumer Price Index (CPI).

Exhibit 3.1- Revenue Growth Rate Assumptions, 2020-2024

	2020	2021	2022	2023	2024
Real Property Taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Act 511 Enabling Taxes	2.3%	2.3%	2.3%	2.3%	2.3%
Business Licenses	0.0%	0.0%	0.0%	0.0%	0.0%
Non Business License and Permits	2.0%	2.0%	2.0%	2.0%	2.0%
Fines	0.0%	0.0%	0.0%	0.0%	0.0%
Intergovernmental Shared Revenue	Based on Historical Performance				
Grants	2.0%	2.0%	2.0%	2.0%	2.0%
Payment in Lieu Taxes	0.0%	0.0%	0.0%	0.0%	0.0%
Charges for Services	2.0%	2.0%	2.0%	2.0%	2.0%
Public Safety	1.5%	1.5%	1.5%	1.5%	1.5%
Contributions/Donations	Based on Historical Performance				
Unclassified Operating Revenue	1.5%	1.5%	1.5%	1.5%	1.5%
Sales Gen Fixed Assets	Based on Historical Performance				
Transfers from Other Funds	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous/Other	2.0%	2.0%	2.0%	2.0%	2.0%
Refunds and Reserves	Based on Historical Performance				

Exhibit 3.2- Revenue Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Real Property Taxes	$6,810,000	$6,810,000	$6,810,000	$6,810,000	$6,810,000	$6,810,000
Act 511 Enabling Taxes	$3,008,000	$3,077,000	$3,148,000	$3,220,000	$3,294,000	$3,370,000
Business Licenses	$448,000	$448,000	$448,000	$448,000	$448,000	$448,000
Non Business License and Permits	$35,000	$36,000	$36,000	$37,000	$38,000	$39,000
Fines	$170,000	$170,000	$170,000	$170,000	$170,000	$170,000
Intergovernmental Shared Revenue	$822,000	$767,000	$767,000	$767,000	$767,000	$767,000
Grants	$144,000	$147,000	$150,000	$153,000	$156,000	$159,000
Payment in Lieu Taxes	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Charges for Services	$112,000	$114,000	$116,000	$118,000	$121,000	$123,000
Public Safety	$1,115,000	$1,132,000	$1,149,000	$1,166,000	$1,184,000	$1,202,000
Contributions/Donations	$100,000	$64,000	$64,000	$64,000	$64,000	$64,000
Unclassified Operating Revenue	$376,000	$280,000	$284,000	$288,000	$293,000	$297,000
Sales Gen Fixed Assets	$0	$18,000	$18,000	$18,000	$18,000	$18,000
Transfers from Other Funds	$0	$0	$0	$0	$0	$0
Miscellaneous/Other	$55,000	$56,000	$57,000	$58,000	$60,000	$61,000
Refunds and Reserves	$31,000	$98,000	$98,000	$98,000	$98,000	$98,000
Total	$13,251,000	$13,242,000	$13,340,000	$13,440,000	$13,546,000	$13,651,000

Expenses

Exhibit 3.3 lists expense growth rate assumptions by category. As discussed in the analysis of historical financial performance, personnel costs account for 86 percent of 2018 General Fund expenditures.

Salaries, wages, overtime

The salary, wage, and overtime growth rates consider several sources of information. First, police and AFSCME contracts mandate wage increases and set provisions for hours work, impacting overtime calculations. Unionized workers account for the majority of salary, wage, and overtime expenses. This scenario assumes no material change to current contract terms. In addition, the baseline scenario maintains both current staffing levels and the distribution of staff among departments. Finally, the baseline scenario assumes the allocation of employee expenses across funds remains stable. Using these assumptions, expenses related to salaries, wages, and overtime are expected to grow at 2.3 percent.

Workers' Compensation

From 2014 to 2018, workers' compensation expenses increased 41 percent, with an average annual growth rate of 10 percent. However, in recent years, workers' compensation has remained flat at

around $300,000. The baseline forecast assumes relatively stable workers' compensation costs with inflationary increases.

Health Insurance

The Borough has effectively managed health insurance costs in the past. From 2014 to 2018, health insurance expenses increased by 16 percent, with an average annual growth rate of 4 percent, compared to a 5 percent national annual average. Centers for Medicare and Medicaid Services projects future annual increases in private health insurance and out-of-pocket costs of approximately 5 percent annually.[3] The baseline forecast assumes Borough healthcare expenses revert to the national average.

Retiree Benefits

Overall, from 2014 to 2018, retiree benefit expenses have increased by 46 percent. Retiree benefits are predominately comprised of retiree health insurance costs. The benefits awarded to future retirees are anticipated to closely track the rate of growth of the majority of personnel expenses at 2.3 percent.

Pension

The pension MMO is based on an annual actuarial valuation that takes into consideration annual pension costs, contributions by employees, pension asset valuations, investment rate and salary increase projections, and amortization assumptions. The Borough's pension MMO allocated to the General Fund increased by 40 percent in 2019 and 86 percent overall, largely as a result of declining funding levels, changes to actuarial longevity tables, and increased administrative costs. The MMO is projected to continue to increase at a rate slightly above that of salaries and wages.

Other Benefits

In 2019, other benefits expenses allocated to the General Fund are projected to drop by 13 percent in comparison to 2018. This change is the result of the transition to position-based budgeting. Specifically, a share of employee benefits will be allocated across funds in the same proportions as wages for the first time in 2019. This scenario uses 2019 as the baseline year and assumes the new accounting method is maintained and anticipates a growth rate approximately equal to growth in salary and wages.

The remainder of the budget includes transfers, contributions and other expenses. The baseline scenario assumes the level of transfers in 2019 remains stable. Remaining expenses include insurance, repairs and maintenance, and professional services. In general, these expenses are expected to increase at the rate of inflation as the costs of conducting business steadily rise.

[3] Centers for Medicare and Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf

Exhibit 3.3- Expense Growth Rate Assumptions, 2020-2024

	2020	2021	2022	2023	2024
Salaries and Wages	2.3%	2.3%	2.3%	2.3%	2.3%
Overtime	2.3%	2.3%	2.3%	2.3%	2.3%
Workers Comp. Exp.	2.0%	2.0%	2.0%	2.0%	2.0%
Health Insurance	5.0%	5.0%	5.0%	5.0%	5.0%
Retiree Benefits	2.3%	2.3%	2.3%	2.3%	2.3%
Pension	2.5%	2.5%	2.5%	2.5%	2.5%
Other Benefits	2.3%	2.3%	2.3%	2.3%	2.3%
Insurances	2.0%	2.0%	2.0%	2.0%	2.0%
Supplies	2.0%	2.0%	2.0%	2.0%	2.0%
Other Services	2.0%	2.0%	2.0%	2.0%	2.0%
Communications	2.0%	2.0%	2.0%	2.0%	2.0%
Repairs and maintenance	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Purchase	Based on Historical Performance				
Contributions	2.0%	2.0%	2.0%	2.0%	2.0%
Refunds	Based on Historical Performance				
Miscellaneous	2.0%	2.0%	2.0%	2.0%	2.0%

Exhibit 3.4- Baseline Expense Projections, 2019-2024[4]

	2019[5] Budget	2020	2021	2022	2023	2024
Salaries and Wages	$6,147,000	$6,288,000	$6,432,000	$6,579,000	$6,729,000	$6,883,000
Overtime	$520,000	$532,000	$545,000	$557,000	$570,000	$583,000
Workers Comp. Exp.	$338,000	$345,000	$352,000	$359,000	$366,000	$373,000
Health Insurance	$1,581,000	$1,660,000	$1,743,000	$1,831,000	$1,922,000	$2,018,000
Retiree Benefits	$691,000	$706,000	$722,000	$739,000	$756,000	$773,000
Pension	$1,636,000	$1,677,000	$1,719,000	$1,761,000	$1,806,000	$1,851,000
Other Benefits	$469,000	$480,000	$491,000	$502,000	$514,000	$525,000
Insurances	$191,000	$195,000	$199,000	$203,000	$207,000	$211,000
Supplies	$235,000	$240,000	$245,000	$249,000	$254,000	$260,000
Other Services	$388,000	$396,000	$404,000	$412,000	$420,000	$429,000
Communications	$120,000	$122,000	$125,000	$127,000	$130,000	$132,000
Repairs and maintenance	$173,000	$176,000	$180,000	$184,000	$187,000	$191,000
Capital Purchase	$212,000	$233,000	$233,000	$233,000	$233,000	$233,000
Contributions	$273,000	$177,000	$180,000	$184,000	$187,000	$191,000
Refunds	$169,000	$100,000	$100,000	$100,000	$100,000	$100,000
Miscellaneous	$73,000	$74,000	$76,000	$77,000	$79,000	$80,000
Total	$13,216,000	$13,401,000	$13,746,000	$14,097,000	$14,460,000	$14,833,000

3.3 Baseline Operating Forecast

The baseline operating forecast in Exhibits 3.5 and 3.6 show an operating loss of over $190,000 in 2020 and, with expense growth exceeding that of revenues, resulting in a worsening position through 2024. Eventually, deficits exceed $1 million in 2024, equivalent to 9 percent of revenue.

The cumulative impact of the operating deficits is shown in the Borough's fund balance position in Exhibit 3.7. In just a few short years, the Borough's fund balance is projected to decline from a balance of 25 percent of total expenditures to negative $160,000, following a sharp downward trend.

[4] Throughout the report, personnel expense categories with zero total expenditures do not indicate zero total departmental costs associated with the particular category. Instead, zero total expenses indicate no General Fund costs for the given personnel expenditure category. Due to the cost allocation methodology, personnel costs are allocated across different funds.

[5] 2019 budget amounts are rounded for forecasting purposes. The forecasts included in this analysis are not intended to be exact, but are instead informed estimates of anticipated performance.

Exhibit 3.5- Baseline Operating Forecast, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Revenues	$13,252,000	$13,242,000	$13,341,000	$13,442,000	$13,545,000	$13,650,000
Expenses	$13,217,000	$13,402,000	$13,745,000	$14,097,000	$14,460,000	$14,834,000
Operating Surplus (Deficit)	$35,000	-$160,000	-$404,000	-$655,000	-$915,000	-$1,184,000
Inter-fund Transfers and Contributions	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000
Net Change	$0	-$195,000	-$439,000	-$690,000	-$950,000	-$1,219,000
Beginning Fund Balance	$3,331,000	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000
Ending Fund Balance	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000	-$160,000

Exhibit 3.6- Revenue and Expense Forecast 2019-2024

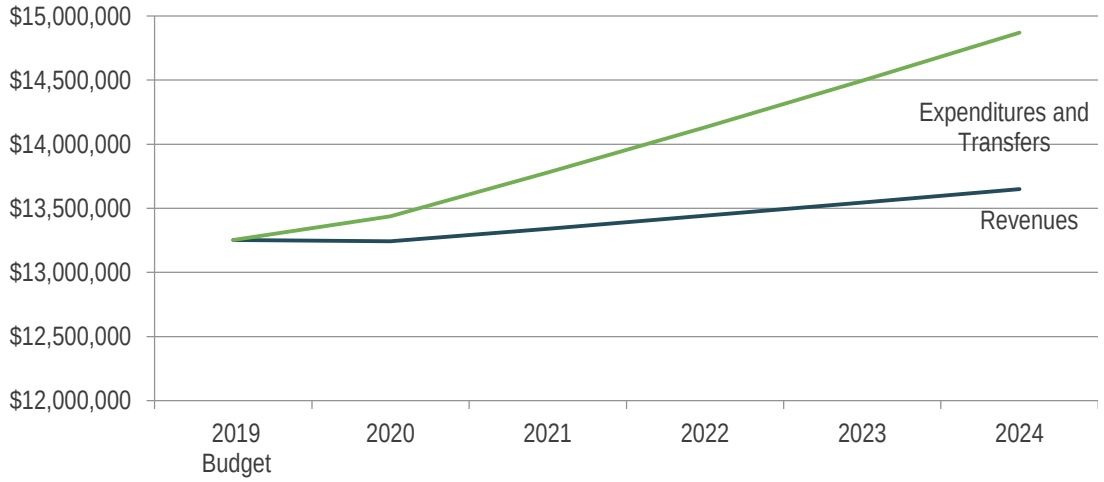
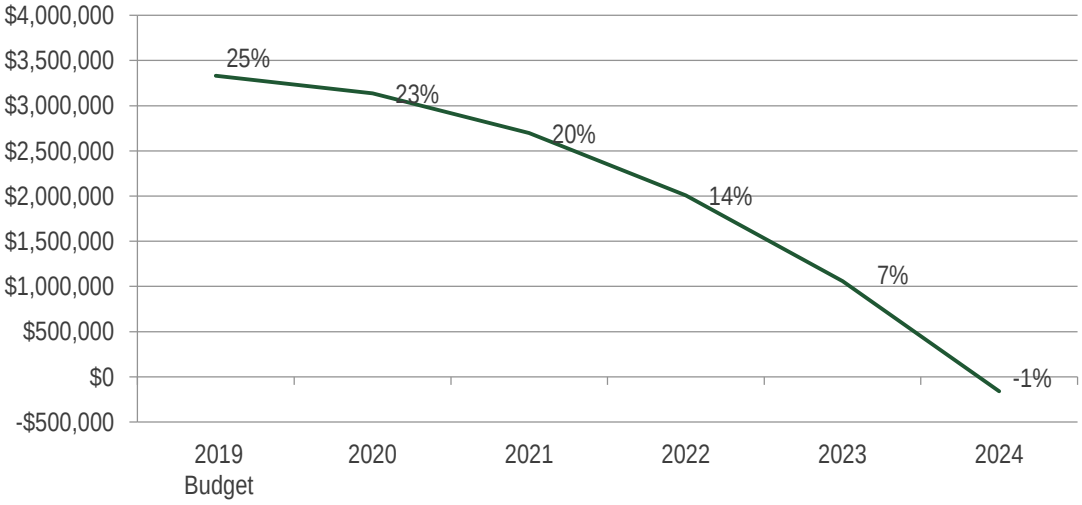


Exhibit 3.7- Fund Balance Forecast as a Percentage of Total Expenditures, 2019-2024



4. Workforce

4.1 General Fund Personnel Expenses

Workforce related expenses are the primary force driving the operating budget, representing 86 percent of 2018 General Fund total expenditures. Personnel costs include salaries and wages, overtime, workers' compensation costs, health insurance, retiree benefits, pensions, and other benefits.

Historically, the Borough allocated the salary and wage expenses of each employee across multiple funds based on the distribution of work activity. The General Fund, Water Fund, Sewer Fund, Trash, and Pottstown Area Rapid Transit (PART) funds capture the majority of personnel costs. In 2019, the Borough transitioned to position-based budgeting in order to shift both earnings and employee benefits from the fund level to each employee in their respective departments. As a result, the benefits costs are now distributed across funds in the same proportions as wages.

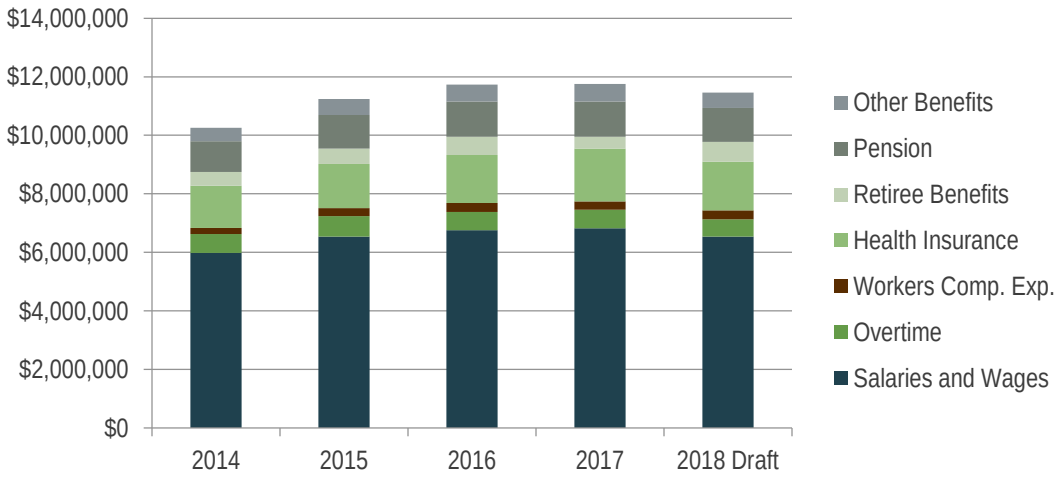
Exhibit 4.1- General Fund Expenses, 2014-2018

	2014	2015	2016	2017	2018 Draft	Increase 2014-2018
Salaries and Wages	$5,985,167	$6,540,547	$6,754,186	$6,824,064	$6,535,772	9%
Overtime	$640,682	$694,167	$625,932	$632,110	$595,690	-7%
Workers Comp. Exp.	$211,860	$279,010	$308,627	$285,142	$298,533	41%
Health Insurance	$1,442,362	$1,511,717	$1,634,861	$1,799,689	$1,670,186	16%
Retiree Benefits	$464,667	$518,789	$631,188	$405,304	$680,498	46%
Pension	$1,051,929	$1,149,424	$1,199,001	$1,207,616	$1,159,160	10%
Other Benefits	$455,208	$548,889	$573,575	$599,758	$521,848	15%
Total	$10,251,874	$11,242,542	$11,727,371	$11,753,684	$11,461,688	12%
% of Total Expenditures	80%	77%	78%	87%	86%	

Source: Borough of Pottstown Financial Statements (2014-2018)

From 2014 to 2018, personnel costs increased by 12 percent, growing at an average annual rate of approximately 3 percent, nearly double the average annual inflation rate over the same period. Because employee salary, wage, and benefit expenses are now allocated across multiple funds, the employee costs attributed to the General Fund do not represent total Borough-wide workforce costs. However, the employee expense trends observed in the General Fund strongly reflect Borough-wide employee expenditure performance. Therefore, this General Fund workforce analysis is an accurate assessment of overall workforce related trends and performance.

Exhibit 4.2- Distribution of General Fund Expenses, 2014-2018



Source: Borough of Pottstown Financial Statements (2014-2018)

Overall, the majority of personnel costs including salaries and wages and retiree benefits are strongly dictated by contractual agreements. Salaries and wages account for over half of all General Fund workforce expenses and therefore drive historic increases in overall General Fund personnel expenses. In addition, retiree health insurance benefits increased by 46 percent from 2014 to 2018. The pension Minimum Municipal Obligation (MMO) allocated to the General Fund increased by 40 percent in 2019 and 86 percent overall.

Despite increases in personnel costs imposed by labor contracts, the Borough has effectively contained workforce expenses that are within the control of management. For example, the growth in health insurance costs has trailed national averages. The Borough changed its medical carrier in 2017 which has resulted in lower costs including a 15 percent lower renewal in 2019. Overtime expenses have also decreased by 7 percent from 2014 to 2018 as a result of diligent monitoring and changes in policies.

Salaries and Wages

General Fund salaries and wages average $6.6 million annually and represent about half of the total expenditures. Police department salary and wage expenses, including shift differential, account for over 65 percent of total General Fund salary and wage expenses historically, and are expected to rise to about 75 percent in 2019. Public works salary has declined from approximately $670,000 in 2014 to about $375,000 in 2019 as a result of the change in allocation methodology. Total public works headcount has remained stable at about 20 employees, but the amount of salary and wage expense allocated to the General Fund has been adjusted in recent years. License and inspection wages average about 6 percent of total salaries and wages historically.

Overtime

Overtime has represented about 5 percent of total General Fund expenditures historically. From 2014 to 2018, total overtime expenditures dropped 7 percent, indicating careful management of personnel expenses. Police department overtime is generally the majority of Borough-wide overtime. In 2019, police overtime is projected to account for 90 percent of total overtime.

Workers' Compensation Expenses

Workers' compensation expenses have averaged $275,000 historically. From 2014 to 2018, workers' compensation expenses have increased 41 percent and are projected to account for 3 percent of 2019 General Fund expenditures.

Health Insurance

Health insurance benefits have historically averaged over $1.6 million. From 2014 to 2018, health insurance costs have increased by 16 percent, with an average annual growth rate of 4 percent. In comparison, from 2014 to 2017, national health expenditure costs increased by an average of 5 percent annually, indicating the Borough's effective management of healthcare costs.[6]

Retiree Benefits

Overall, from 2014 to 2018, retiree benefit expenses have increased by 46 percent. Retiree benefits are predominately comprised of retiree health insurance costs. Historically, retiree health insurance expenses have averaged approximately $340,000 annually, but are projected to cost over $415,000 in 2019.

Other Post-Employment Benefits (OPEB)

Each year $250,000 is allocated to the OPEB liability funding program. Contributions were made in every year from 2014-2018, except 2017. The Borough administers a single-employer post-employment benefit plan that covers health insurance for eligible retirees. As of December 31, 2017, the OPEB liability was $28.9 million with an annual required contribution of $2.3 million. The OPEB fund balance is currently roughly $1.4 million.

Pension

The Borough has two single-employer defined benefit pension plans: the Police Pension Fund and the Non-Uniformed Pension Plan. These plans cover substantially all full-time employees. Commonwealth law requires all municipalities, including Pottstown, to make annual contributions to the pension funds based on a calculation of MMO. The MMO is based on an annual actuarial valuation that takes into consideration annual pension costs, contributions by employees, pension asset valuations, investment rate and salary increase projections, and amortization assumptions. The Borough's pension MMO allocated to the General Fund increased by 40 percent in 2019 and 86 percent overall, largely as a result of declining funding levels, changes to actuarial longevity tables, and increased administrative costs.

[6] Centers for Medicare and Medicaid Services. Table 01 National Health Expenditures; Aggregate and Per Capita Amounts. https://www.cms.gov/Research-Statistics-Data-and-systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html

Exhibit 4.3 describes the key statistics for the Police and Non-Uniform pension funds in recent years. The police pension fund has liabilities of over $6.8 million with a funded ratio of 75 percent. The non-uniformed pension fund has liabilities of about $4.4 million with a funded ratio of 79 percent.

Exhibit 4.3- Police and Non-Uniform Pension, 2015 & 2017

	Police Summary		Non-Uniformed Summary	
Participants	1/1/2015	1/1/2017	1/1/2015	1/1/2017
Active Employees	44	40	76	88
Vested Former	3	2	5	6
Receiving Benefits	37	44	46	47
Total Participants	84	86	127	141
Actuarial Value of Assets	20,351,677	20,416,474	17,300,293	16,162,895
Actuarial Liability	23,326,001	27,243,460	18,338,522	20,543,829
Unfunded Actuarially Accrued Liability	2,974,324	6,826,986	1,038,229	4,380,934
Funded Ratio	87.0%	75.0%	94.0%	79.0%
Interest assumption	7. 0%	7 0%	6.5%	6.5%

Source: Borough of Pottstown Actuarial Reporting (2015, 2017)

Other Benefits

Other benefits include continuing education, employee wellness programs, FICA tax, compensation for vacation pay, life insurance, uniform allowances, and training. These expenses have averaged about $540,000 historically. In 2019, other benefits expenses allocated to the General Fund are projected to drop by 13 percent in comparison to 2018. This change is the result of the transition to position-based budgeting. Specifically, a share of employee benefits will be allocated across funds in the same proportions as wages for the first time in 2019. As mentioned previously, although this change decreases the other benefits in the General Fund, it does not indicate a decrease in overall employee other benefit expenses Borough-wide.

4.2 Recommendations

WF01 – SET SAVINGS TARGETS FOR BOROUGH-WIDE PERSONNEL COSTS

Responsible Party:				Target Completion:
Borough Manager				Ongoing
2020	2021	2022	2023	2024
$130,000	$250,000	$400,000	$550,000	$725,000

Since personnel costs are the Borough's most influential expense driver, controlling these costs is essential to solidifying Pottstown's long-term financial position. The Borough should establish personnel targets for represented and non-represented employees relative to the baseline financial projections. The savings targets noted above which start at $130,000 in 2020 and increase to $725,000 by 2024 are approximately equal to 1 percent annual salary increases and inflationary increases in health insurance expenses for employees and retirees.

Achieving these saving targets will be challenging and not fully within the control of the Borough government since new labor provisions would need to be negotiated with employee bargaining units. However, the wage and benefit savings can be achieved through a combination of limiting rate increases and restructuring of overtime eligible activities and benefits packages.

The following is a menu of options, rather than a scripted formula, for the Borough Administration to consider for achieving the targeted savings levels. While the discussion focuses largely on the labor agreements in place with the Borough's bargaining units, the personnel cost savings initiatives should in no way be limited to the unions and should include non-represented employees, as well.

WF02 – CONTROL WAGE/OVERTIME COSTS

Police Department

While it is true that there are a significant number of factors that contribute to overtime costs outside of the control of the Borough, a number of the provisions in the Collective Bargaining Agreement (CBA) with the Police Association significantly increase these costs by providing allowances that exceed obligations under the Fair Labor Standard Act (FLSA). The current CBA expires on December 31, 2019.

For instance, at Sections 105 and 203 of the CBA, all paid leave (sick, vacation, bereavement, military, etc.) counts toward "hours worked" for purposes of meeting the 40 hours' worked standard for overtime. In practice, this means that an employee could take 40 hours of vacation and then agree to fill in for a co-worker upon their return, and all time worked after the vacation would be at overtime – even though it was only for one shift. The FLSA, which mandates overtime for hours worked in excess of 40, does not require the employer to count anything but hours actually worked to meet the 40 hour threshold.

Beyond the 40 hour threshold, overtime is automatically granted for any training hours. Travel time for training is also paid at time and a half.

"Special functions" are paid at time and a half with a four hour minimum, regardless of the hours worked in the week or for the function.

Under section 205, call-outs are paid at double time for the first hour and time and a half for everything else, with a two hour minimum, also regardless of the number of other hours worked in the week.

Although not strictly an overtime issue, the CBA also provides that employees who are scheduled for more than one hearing in a day to be paid for a two hour minimum for each if there is a more than 1.5 hour break between the scheduled hearing times. For instance, if a hearing was scheduled for 9 am and one for 11 am, the employee could claim at 4 hours, even if each hearing only lasted 5 minutes. While 2 hour minimums are common in these situations, "stacking" them in this way, as opposed to merely paying the employee to just remain "on the clock" for the entire period, is not. There are certainly circumstances where this practice would have a significant negative impact for the Borough.

Additionally, overtime is built into the schedule under the terms of the CBA, in that every employee is required to be on site for a period of time prior to and after their shift; that time, as per the contract, is automatically overtime.

Many of these provisions are unusual, even in police contracts, and all have the potential to be significant wage and overtime cost drivers for the Borough. As such, these provisions must be a focus for the Borough in the next round of contract negotiations.

American Federation of State, County and Municipal Employees (AFSCME)

Similar to the CBA with the Police Association, the Borough exceeds the obligations set by FLSA for Borough employees represented through a CBA with the AFSCME.

Again, similar to the CBA with the Police Association, the AFSCME CBA provides that overtime will be paid:

- on the 6th consecutive day of work, even if it crosses a work week and the employee did not work 40 hours or more in either of the weeks covered;
- as double time for the 7th consecutive day of work; and
- as double time for any time in excess of the employee's regular shift on any Sunday or holiday.

In addition, Section 12 of Article 4 addresses payment for employees who are called in to work from home outside of their normal work schedule. In many CBAs, employees are granted a 2 hour "minimum" pay, regardless of hours worked, to address the disruption to their home life. In the AFSCME contract, in contrast, employees are paid double time for the first hour of any call-out, and time and a half for every hour worked thereafter. However, this is only for call-outs occurring on Monday through Saturday; all hours worked on Sunday are paid at double time. Again, this is regardless of the number of hours the employee otherwise works during the week.

These provisions exceed the obligations imposed on the Borough under the FLSA. Reevaluating these provisions as a part of the next round of contract negotiations would likely have a significant positive impact on the actual and projected wage and overtime costs for years to come.

WF03 – Control Healthcare Costs

Police Department

The Borough provides two general options to Police officers for healthcare coverage. The first is a "base" plan, provided at no cost to the employee, but still carrying an annual cost to the Borough of between approximately $11,000 and $31,000 depending on whether the employee selects single, 2-party, or family coverage. An employee also has the option to purchase a "buy-up" plan at a premium cost of between $13,000 and $37,000. Although the employee is required to contribute to the "buy up" plan, the employee contributions for 2018 of approximately $1,080/$1,800/$2,400 do not even cover the difference between the cost of the "base" plan and the "buy up" option.

Given that it is becoming increasingly rare for public employers to continue to provide health benefits at no cost to employees, instituting an employee contribution for base coverage, increasing the employee share to better meet the costs of any "premium" options made available to them, and shopping plans, should be an essential component of any financial sustainability plan. This is particularly important as the 2022 deadline for imposition of the "Cadillac" provisions of the Affordable Care Act, which will impose excise taxes on health plans whose costs exceed certain pre-determined limits, draws closer. All but the single, base plan coverage exceeds these pre-determined limits. The single, base plan coverage comes close to this threshold. A failure to address these cost issues before the tax is imposed means that, in the next three years, the Borough could be paying even more than it currently does.

It is possible that there may be spouses and dependents on the Borough-sponsored plan who are eligible for coverage through another employer at higher cost. Obviously, this increases the Borough's expenses. A number of municipalities have begun to address this through provisions that impose an additional cost for those individuals. For instance, the Borough could state that if a spouse were eligible for coverage from another employer but voluntarily chooses Borough coverage instead, the employee would be required to pay an additional amount annually towards coverage. This would not mandate that the employee obtain coverage elsewhere, just the spouse. This both dis-incentivizes use of Borough coverage where alternative coverage exists and helps the Borough defray the added cost of two-party or family coverage where it would otherwise only be responsible for single coverage. The Borough would have a wide range of options in terms of setting the appropriate "spousal premium" under such a policy.

Finally, stronger language permitting the Borough to change carriers and coverage as needed to avoid being locked into healthcare insurance relationships carrying double digit premium increases (like the Borough faced in 2016 over the 2015 rates) will better allow the Borough to control healthcare costs in the long-term.

American Federation of State, County and Municipal Employees (AFSCME)

Employee healthcare costs are a key budget driver for the Borough; however, employee premium contributions have decreased under the current CBA. For instance, in 2016, for the "base plan", employees were contributing $27/pay for single coverage, $48/pay for two-party coverage, and $63/pay for family coverage. For 2017 and 2018, those contributions were reduced to $24/$43/$57 respectively. The "buy up" plans did not see similar reductions to the $55/$90/$125 per pay costs, but no increases were imposed either. It costs the Borough approximately $420/$865/$1190 and $500/$1,030/$1,420 per pay for the base and buy up plans respectively.

While the desire to reduce employee contributions is understandable given that the Borough saw either steady or decreasing premium costs over the last few years, reducing employee contributions ignores the underlying structural imbalance in premium contributions. For instance, the annual premium cost contributions can be compared as follows:

Exhibit 4.4- Distribution of Current AFSCME Healthcare Premium Contributions

	Employee	Employer	Total
Single, Base Plan	$624	$10,270	$10,894
Two-Party, Base Plan	$1,118	$21,391	$22,509
Family, Base Plan	$1,482	$29,463	$30,945
Single, Buy Up Plan	$1,430	$11,580	$13,010
Two-Party, Buy Up Plan	$2,340	$24,451	$26,791
Family, Buy Up Plan	$3,250	$33,685	$36,935
% of Total	7%	93%	

In short, employee contributions to premiums are minimal when compared to the total annual cost. Increasing the employee share of healthcare costs generally, is an important component of any fiscal sustainability plan for the Borough. Several public entities have shifted to a model that sets contributions on a percentage basis rather than a per-pay cost share. Under such a structure, for instance, the employee might pay 20 percent of the premiums, and the employer the remaining 80 percent. In years where contributions are flat, the dollar amounts remain the same; where there are decreases, the employer and employee both get the benefit of the decreases. Most importantly, however, when increases occur, the structure accounts for an equal burden on the employer and employee to ensure that an imbalance does not reoccur or place the sole burden of significant increases on Borough taxpayers.

In addition to these changes, the Borough should also look at ways to incentivize employees into the lower-cost base plan options. As it stands now, for instance, even with employee contributions, the Borough is paying approximately $1,300 more for employees who choose single coverage under the buy up plan versus the base plan; the increased costs are approximately $3,060 and $4,222 for the two-party and family coverage. Employees who select that coverage may contribute more than under the base

plan, but so does the Borough. One way to address this is by making the employee cover the entire cost of the "buy up", with the employer paying no more than it would for base plan premiums. Alternative incentives exist, of course, and the Borough should carefully review those options as a cost-containment initiative.

Similar to the Police healthcare plan, incentivizing the lower-cost base plans is important to addressing the application of the Cadillac provisions of the Affordable Care Act mentioned earlier. The healthcare plans for AFSCME will also face excise taxes beginning in 2022 due to exceeding the pre-determined limits.

Similar to spousal benefits that uniformed employees of the Borough receive, non-uniformed employees are also eligible to receive this benefit, thereby increasing the Borough's healthcare expense. Likewise, the Borough should have employees pay an extra amount to insure family members, incentivizing employees to seek out alternative coverage for their families.

Finally, better language permitting the Borough to change carriers and coverage for both healthcare, dental and vision coverage is needed to avoid the Borough being locked into healthcare insurance relationships carrying double digit premium increases. This flexibility will also better allow the Borough to control healthcare costs in the long-term.

WF04 – Control Retiree Healthcare Costs

Police Department

Current employee healthcare costs are not the only cost-driver in the long-term for the Borough. The Police CBA has rich healthcare benefits for retired employees as well. Under the current CBA at Section 402, officers who retire after July 1, 1989 are eligible for "basic Blue Cross-Blue Shield and Major Medical coverage ($100 deductible, 20 percent co-pay)" until the officer becomes eligible for coverage under any other health insurance plan, or Medicare. These benefits are offered at the Borough's expense, provided that the Borough's cost does not exceed the cost of providing such coverage at the time of the officer's retirement.

However, the CBA also provides that officers who retire between January 1, 1999 and January 1, 2011 are eligible for coverage for themselves, their spouse and their dependent children at a minimum of the coverage that was in effect as of February 1, 2010. This is a significant increase to the coverage for "major medical coverage" described above, and, as above, this is 100 percent at the Borough's cost, without any limiting language as above related to the cost of providing coverage as of the officer's retirement.

For officers retiring after January 1, 2011, retiree healthcare benefit levels are required to be retained at the same level as existed on the date of the officer's retirement, and apply to both the officer and eligible dependents. In order to be eligible for this guarantee, the officer must have been hired prior to December 31, 2013, however. Upon reaching Medicare eligibility, the officer and spouse transition to supplemental coverage.

Although retirees are not contributing to premium costs, current employees are required to contribute 2 percent of their base compensation towards the cost of retirement medical coverage. These employee contributions were made into a Trust Fund managed by an Investment Consultant. According to the Borough of Pottstown Postemployment Benefits Plan Actuarial Valuation for fiscal year January 1, 2017 through December 31, 2017, issued by Conrad Seigel, there is a nearly $21,000,000 unfunded liability for police postemployment benefits, including healthcare. It is unclear the extent to which funds in the Trust Fund have been used in calculating that unfunded liability. In any event, however, this presents a significant unfunded liability, and, while the Borough may not be in a position to address retiree benefits for current retirees, clarification and limitation of retiree healthcare benefits for future retirees should be a part of any future fiscal planning and collective bargaining.

WF05 – Control Other Employee Benefits Costs

Police Department

Aside from wages and overtime, a substantial cost driver in the Police CBA is the numerous benefit and incentive provisions provided to the officers. They include:

- Longevity payments of up to 6 percent of base salary for 20 years of service, which can exceed $5,000 for a single employee, as per Section 206 of the CBA;
- Annual educational incentive payments for employees with an associates' or bachelor's degree even where those degrees bear no direct relationship to the job – as per Section 213 of the CBA;
- A "retirement incentive" under Section 216 which, in the last 24 months before an officer retires, automatically increases bi-weekly pay by $30.76;
- Allowing for partial payout of vacation that an employee would achieve at their next anniversary date occurring after a termination, as per Section 301 of the CBA;
- Providing for "extended sick leave", paid at half the employee's salary, for 180 days, where the employee does not otherwise qualify for any other salary continuation benefits (and regardless of whether the need for leave is work-related), as per Section 305 of the CBA; and
- Under Section 307, employees who are injured on the job are granted their full salary from the date of injury forward indefinitely.

These benefits are atypical. While use of some of the provisions – such as the extended sick leave and salary continuation benefits - may be extremely rare, they are costly to the Borough. The salary continuation benefits, for existence, exceed the Borough's statutory obligation to provide full salary for temporary injuries occurring on the job, and based on the absence of language in the contract regarding how and when they cease, could last a considerable length of time and thereby carry a considerable cost.

Eliminating or limiting the provision of these benefits must be considered as part of any serious effort to reduce both current and potential financial obligations of the Borough.

American Federation of State, County and Municipal Employees (AFSCME)

Similar to the PPOA contract, the AFSCME CBA provides more employee benefits than just healthcare. These employee benefits include:

- As a "wellness" incentive, employees are eligible for monetary payouts for limiting the amount of sick time that they take during a year as per Article 10. However, this payout does not reduce the sick time available to an employee, and therefore the unfunded sick time liability for the Borough remains the same;
- Accrual of up to 150 days of sick leave as per Article 10, which is an unfunded liability of the Borough;
- Allowing for partial payout of the vacation allowance that an employee would achieve at their next anniversary date occurring after a termination, as per Article 11;
- Under Article 12, it appears that employees are granted up to 16 hours of paid leave for family sickness, in a bank separate from the regular sick leave allotment; and
- Article 21 provides that employees will be paid their full salary for 180 days after an on-the-job injury, rather than the 66 2/3 percent salary available under workers' compensation.

Many of these benefits are atypical. While some of these provisions may be rarely used – such as the injury pay – their existence presents risk to the Borough. Thus, eliminating or limiting the application of these benefits must be considered as part of any serious effort to reduce both current and potential financial obligations of the Borough. A proposal could include providing short and long-term disability insurance in place of generous sick time accrual provisions, allowing partial use of employee sick leave in the event of family illness, reducing leave accrual limits, and limiting injury pay to statutorily-mandated workers' compensation coverage.

WF06 – Seniority Issues

American Federation of State, County and Municipal Employees (AFSCME)

Article 24 of the CBA with AFSCME relates to seniority of employees Borough-wide, and provides that in the case of promotions, layoffs, and recalls are all to be conducted on the basis of seniority. In the case of promotions, for instance, the most senior employee with the "required skills, ability and certification" is to be promoted into open positions. In the case of a layoff, the least senior employee is to be laid off first, and so on, leaving the most senior employees with the "required skills, ability and certification" to perform the work of the laid off employees. When the employer is able to recall employees, the most senior laid off employee with the "required skills, ability and certification" is to be recalled first, until all laid off employees are returned to work.

Even if an employee is laid off, they are permitted to use their seniority rights to bump within both their current department and any departments they worked in previously, as long as they have the "required skills, ability and qualification."

We have seen employers taking a proactive approach to modifying CBAs to consider seniority as one factor, rather than the apparent determinative factor in making personnel decisions. In such circumstances, seniority is used only where all other skills, abilities and certifications of two employees are equal. This will keep the Borough from losing a potentially better, more productive employee over years of service alone. These kinds of limitations could potentially impede the Borough from making

important staffing changes because of the negative effect such bumping, for instance, might have on another Borough department. The Borough should make revision of this provision a negotiating priority.

WF07 – Time and Payroll

Current processes in place Borough-wide for time entry and payroll are inefficient and outdated, and present opportunity for both intentional and unintentional error. In particular, employees are still manually completing time cards for submission to payroll. While this may not be occurring within the Borough, manual time-card completion by the employee provides opportunity for mis-reporting of hours worked. In addition, manual time cards must be physically entered into the payroll system by another employee, introducing the opportunity for human error to affect employee pay. Computerized time clocks reduce both the opportunity for intentional employee mis-reporting and human error. The Borough should explore options for employee timekeeping to reduce these payroll risks.

Computerized timekeeping may also provide an opportunity for the Borough to explore outsourcing its payroll functions, which are currently housed in the Finance Department. The Borough should explore the local options for, and cost of, payroll outsourcing to determine the feasibility and desirability of such an action.

5. Administration and Human Resources

5.1 Overview

The Borough of Pottstown was incorporated in 1815 as the second Borough in Montgomery County. Following several changes in the administrative and representative divisions, in 1964, the number of Borough wards was reduced to the current structure of seven wards with one council representative from each. The Borough also has a Mayor. In 1944, the Borough adopted the Council-Manager form of government and administrative power was designated to a professional Borough Manager.

The Borough relies on multiple departments and entities to manage critical administrative, human resource, legal, and technological functions. The administrative department includes the Borough Manager, the Borough Secretary, and Grants administrator. The Borough Manager is responsible for the supervision and coordination of all borough departments and programs, except the police department. The Borough Manager also oversees the operation of the Pottstown Area Rapid Transit System and the Pottstown Municipal Airport. The manager executes and enforces the laws of the Commonwealth and the Borough ordinances, resolutions and by-laws. One of the manager's critical functions is the delivery of the budget, which is mostly prepared by the Finance Director.

The Human Resources Department includes a director and two representatives that are responsible for recruiting, hiring, and maintaining a professional, qualified workforce. The human resources department also manages benefits administration, salary administration and job classification, training and development, records management, employee relations, and human resources information systems. In addition, the human resources director participates in collective bargaining and acts as a liaison for contract implementation for the AFSCME union and Police Unions.

In addition to the administrative and human resources departments, governmental functions including legal services and technological support are critical to the operation of the Borough. The financial results below include the General Fund activity allocated to the executive, human resources, legal, and technology budget categories.

Exhibit 5.1 Admin and HR Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Borough Manager	1	1	1	1	1
Assistant Borough Manager	1	1	1	1	0
Borough Secretary	1	1	1	1	1
Grants Administrator	1	1	1	1	1
Projects Coordinator	0	0	0	0	0
HR Director	1	1	1	1	1
HR Representative	1	1	2	2	2
HR Representative - Seasonal	0	1	0	0	0
Total	6	7	7	7	6

5.2 Summary of Financial Results

As reflected by the overall General Fund budget, Administrative and Human Resources expenses are dominated by personnel related expenses. On average, from 2014-2018, 68 percent of total administrative and human resource expenses are personnel related. Salaries and wages dropped by over $140,000 in 2018 compared to 2017, primarily as a result of a $100,000 decrease in executive department wages and salaries. This decrease is partially the result of the elimination of the Assistant Borough Manager position in 2018.

On average, 70 percent of the other services category is historically directed to legal services including general legal, AFSCME, and PPOA legal expenses. Communications expenses are primarily used for technological computer services.

Exhibit 5.2-Admin and HR Expense Results, 2014-2018

	2014	2015	2016	2017	2018 Draft
Salaries and Wages	$520,765	$543,879	$579,618	$591,035	$448,860
Overtime	$8,202	$12,143	$15,651	$15,665	$14,960
Workers Comp. Exp.	$0	$0	$0	$0	$0
Health Insurance	$0	$0	$0	$0	$0
Other Benefits	$39,301	$40,588	$43,384	$43,038	$36,583
Supplies	$13,578	$16,717	$20,287	$20,611	$18,614
Other Services	$149,004	$157,125	$192,073	$152,196	$117,371
Communications	$126,199	$96,713	$99,560	$68,616	$59,219
Capital Purchase	$31,327	$0	$0	$0	$0
Miscellaneous	$12,698	$6,170	$8,085	$13,734	$22,695
Total	$901,074	$873,336	$958,658	$904,896	$718,301

Source: Borough of Pottstown Financial Statements (2014-2018)

As discussed previously, in 2019, the Borough transitioned to position-based budgeting in order to shift both earnings and employee benefits from the fund level to each employee in their respective departments. As a result, the benefits costs are now distributed across funds in the same proportions as wages. This method reduces the need for inter-fund transfers. Consequently, wage allocation refunds to the General Fund from other funds decreased. Concurrently, General Fund personnel expense allocations to other funds increased.

Overall, the distribution of total Administrative and Human Resource personnel costs changed, but total staffing levels remained stable. On average, administrative and human resources expense are expected to rise by 2 percent annually, driven by a projected 2.3 percent increase in salaries, wages, and overtime and 5 percent annual growth in health insurance expenses. Communication and legal expenses are expected to track inflation with 2 percent annual growth.

Exhibit 5.3- Admin and HR Expense Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Salaries and Wages	$162,000	$166,000	$170,000	$173,000	$177,000	$182,000
Overtime	$18,000	$19,000	$19,000	$19,000	$20,000	$20,000
Workers Comp. Exp.	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Health Insurance	$38,000	$39,000	$41,000	$43,000	$46,000	$48,000
Other Benefits	$18,000	$18,000	$18,000	$19,000	$19,000	$20,000
Supplies	$24,000	$24,000	$25,000	$25,000	$26,000	$26,000
Other Services	$152,000	$155,000	$158,000	$161,000	$164,000	$167,000
Communications	$68,000	$69,000	$70,000	$72,000	$73,000	$75,000
Capital Purchase	$0	$0	$0	$0	$0	$0
Miscellaneous	$32,000	$32,000	$33,000	$33,000	$34,000	$35,000
Total	$515,000	$525,000	$537,000	$548,000	$562,000	$576,000

5.3 Recommendations

ADM01 & AUTH05 – CONSIDER THE BOROUGH-WIDE TAX AND FEE MIX WHEN SETTING RATES

Responsible Party: Borough Council, Borough Manager, Finance Director, Authority Board

Target Completion: Ongoing

As noted throughout this report, achieving long-term budgetary balance must include a strategy to expand the tax base and support the local economy. Tax competitiveness is a key part of that strategy. Prospective residents and businesses will consider many factors when deciding where to invest including tax burden and service mix. If the Borough is not competitive with other jurisdictions from a tax rate perspective, it will be at a clear disadvantage to surrounding communities competing for new development.

Tax competitiveness is not just limited to real estate (Borough and School District) and earned income tax rates, but also includes other local user fees, including water and sewer fees, as well. To the extent that the Borough cannot avoid raising real estate millage rates to fund government operations, the Authority should be even more disciplined in maintaining a competitive fee structure. The Authority should keep fee levels in mind when developing its plans to fund capital improvements, its fund balance policies, and management agreement with the Borough.

ADM02 – Limit Real Estate Tax Millage Rate Increases to One Percent

Responsible Party: Borough Council, Borough Manager

Target Completion: Ongoing

2020	2021	2022	2023	2024
$0	$140,000	$210,000	$280,000	$360,000

The Borough has maintained a relatively healthy operating position by counteracting tax base deterioration with millage rate increases. From 2003-2019, the millage rate has increased at an average annual rate of nearly 6 percent, with the largest increases of 27 and 12 percent occurring in 2007 and 2018, respectively. The 2019 total millage rate of 12.675 mills is the second highest municipal millage rate in Montgomery County. When also accounting for school millage, Pottstown residents still pay the second highest property taxes in Montgomery County. While millage rate increases have helped the Borough maintain a healthy operating position, the increases also hinder resident, business, and investment attraction and retention in comparison to other municipalities in the County.

In order to start to re-align the Pottstown real estate tax millage rate with surrounding communities and encourage economic development, the Borough should seriously consider maintaining the current millage rate in 2020. In the future, to the greatest extent possible, the Borough should seek to limit real estate tax millage rate increases to 1 percent.

ADM03 – Develop and Implement a Formal Employee Performance Review Process and Schedule

Responsible Party: HR Director

Target Completion: Fourth Quarter 2019

A formal employee performance review process can improve work performance, job satisfaction, and the overall workplace environment by encouraging open communication and constructive feedback. Formal, structured, and regular performance assessments are an opportunity to highlight employee strengths and weaknesses, while allowing appropriate time to make corrections in performance and/or behavior and set future goals. Performance reviews should be conducted on a regular schedule, usually annually. Performance evaluations should provide the basis for compensation adjustments that are not otherwise contractually mandated.

ADM04 – Professional Development

Responsible Party: HR Director, Borough Manager

Target Completion: Fourth Quarter 2019

Opportunities for professional development and continuing education can improve employee performance and satisfaction. As the Borough implements a formal performance review process, options for professional development should also be provided. The Borough can seek out free or low

cost partners to offer this benefit. For example, the Government Finance Officers Association offers professional development training to state, provincial, and local level government officials and other finance practitioners of varying levels of experience each year. In addition, the Local Government Academy offers classroom-style programs, round-table discussions, and webinars to enhance leadership skills and develop public employees.

ADM05 – Offer A Competitive Benefits Package to Attract and Retain Talent

Responsible Party:	Target Completion:
HR Director, Borough Manager	2020

In the modern job market, employees make employment decisions based on the comprehensive benefits package, rather than on compensation alone. Because salary and wage increases must be strictly limited, the Borough should consider offering other attractive benefits. Recent studies suggest that current employees often highly value benefits that are relatively inexpensive for employers.7 For example, today's employees highly value work-life balance and seek flexible hours, gym memberships and wellness programs, additional paid time off, the option to work from home, diversity programs, and increased parental leave. Employers may also be able to attract younger talent with student loan and tuition assistance.

ADM06 – Regularly Adjust Fees to Reflect Increasing Cost of Service

Responsible Party:	Target Completion:
Borough Manager	Ongoing

2020	2021	2022	2023	2024
$10,000	$12,500	$15,000	$17,500	$20,000

Pottstown should continue to assess and set fee levels with the goal of recovering the cost of providing services. Fee increases should not be onerous and detrimental to economic development, but should instead reflect the increasing cost of operating the Borough and providing critical services.

[7] Jones, Kerry. *The Most Desirable Employee Benefits*. Harvard Business Review. 2017. https://hbr.org/2017/02/the-most-desirable-employee-benefits

6. Finance

6.1 Overview

The Finance Director supervises, in cooperation with the Borough Manager, the financial administration of the Borough and the Borough Authority. Financial administration responsibilities include budgeting, accounting, financial policy formulation, purchasing, forecasting, and pension administration. The Finance Department also oversees treasury services such as revenue collection, disbursements, and investment management. The Finance Department also does tax collection and payroll administration in-house, though delinquent real estate and utility fee collections are outsourced to a third-party provider. The Finance Director reports to the Borough Manager and provides financial reporting to the governing body, Borough Council. The Borough has earned the GFOA's distinguished budget presentation award in recent years, which recognizes excellence in municipal budgeting.

As shown in Exhibit 6.1 below, the Department consists of seven employees including the Director, a budget analyst, accounting administrator, and four accounting clerks. The Department reduced its headcount by two employees in 2014, but still performs the same responsibilities. Aside from the Director, four employees belong to the AFSCME union; the remaining two employees are not represented by a bargaining unit. Considering the breadth of responsibilities, which includes the financial administration of not just the Borough, but also the Borough Authority, and performing payroll and tax collection duties in-house (which are often outsourced functions in other municipalities), the Finance Department should not be a target for staff reductions except where noted regarding tax collector services. This is especially true considering the recommendations below, which include new activities such as development of a multi-year capital improvement plan and assuming a larger role in economic development efforts.

Exhibit 6.1-Finance Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Finance Director	1	1	1	1	1
Utilities Administrator	1	1	1	1	0
Budget Analyst (formerly Utilities Administrator)	0	0	0	0	1
Accounting Administrator	1	1	1	1	1
Tax Office Accounts Clerk	1	1	1	1	1
Finance Office Accounts Clerk	3	3	3	3	3
Total	7	7	7	7	7

6.2 Summary of Financial Results

The Finance Department's costs represented approximately three percent of the Borough's operating expenses. Because of the change in cost allocation methodology between the Borough and the Borough Authority instituted for the 2019 budget, the Department's expenses attributable to the Borough declined significantly. Like other departments, personnel costs, which are comprised of salaries, wages, and benefits, are the largest piece of the Department's budget, accounting for 90 percent of the Department's expenses. Other services, including auditing and computer services, account for about $25,000 annually.

Exhibit 6.2-Finance Expense Results, 2014-2018

	2014	2015	2016	2017	2018 Draft
Salaries and Wages	$347,666	$361,129	$364,106	$378,947	$366,987
Overtime	$80	$1,012	$683	$884	$189
Workers Comp. Exp.	$0	$0	$0	$0	$0
Health Insurance	$0	$0	$0	$0	$0
Other Benefits	$28,092	$29,876	$29,307	$30,052	$27,895
Supplies	$3,023	$3,202	$4,146	$2,860	$3,583
Other Services	$24,431	$25,818	$22,105	$21,523	$20,744
Miscellaneous	$5,289	$16,037	$19,925	$18,973	$825
Total	$408,580	$437,073	$440,272	$453,240	$420,223

Source: Borough of Pottstown Financial Statements (2014-2018)

Exhibit 6.3-Finance Expense Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Salaries and Wages	$100,000	$102,000	$105,000	$107,000	$109,000	$112,000
Overtime	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Workers Comp. Exp.	$1,000	$1,000	$2,000	$2,000	$2,000	$2,000
Health Insurance	$32,000	$34,000	$35,000	$37,000	$39,000	$41,000
Other Benefits	$11,000	$11,000	$12,000	$12,000	$12,000	$12,000
Supplies	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Other Services	$25,000	$25,000	$26,000	$26,000	$27,000	$27,000
Miscellaneous	$4,000	$5,000	$5,000	$5,000	$5,000	$5,000
Total	$178,000	$183,000	$190,000	$194,000	$199,000	$204,000

6.3 Recommendations

FIN01 – Develop a Multi-Year Capital Improvement Program

Responsible Party:	Target Completion:
Finance Director	Fourth Quarter 2019

The Borough should develop and execute a multi-year Capital Improvement Plan (CIP) to ensure that Pottstown possesses the necessary public infrastructure to support neighborhood and commercial redevelopment efforts. A CIP is a multi-year listing of capital projects planned for the community, along with the financing sources identified to pay for those projects. This multi-year plan should put greater emphasis on stabilizing and expanding the Borough's tax base through community and economic development. These efforts will be futile if the Borough does not adequately maintain its key assets.

While a Capital Budget authorizes funds for one year, a CIP looks out five, ten, or even 20 years, though most plans cover five years. A CIP takes into account the Borough's current assets, strategic vision, and economic and demographic changes as the plan is formulated.

The CIP is executed and monitored as part of an annual process in connection with the operating budget cycle. Because capital planning is ineffective without adequate funding, the capital budget must be coordinated with the operating budget and multi-year financial plan. While most governments have different staffs for operating and capital budgets, the small size of the Borough's government and budget limits the separation of these functions in Pottstown.

FIN02 – Reestablish Regular Contributions to Capital Savings Fund

Responsible Party:	Target Completion:
Borough Manager	Ongoing

2020	2021	2022	2023	2024
($100,000)	($125,000)	($150,000)	($175,000)	($250,000)

The Borough has an established history of funding capital improvements from multiple sources, including General Fund contributions. When faced with tightening operating budgets, managers are often tempted to push capital investment into the future for short-term savings, resulting in deferred maintenance and a backlog of future liabilities. The Borough should continue its practice of regular capital investment from General Fund sources.

The Borough's Annual Reserves Policy calls for transfers to the Capital Savings Fund of $500,000. The Borough budgeted just over $200,000 in capital purchases in 2019, but does not budget transfers to the Capital Savings Fund. If the fund balance remains strong, the Finance Director indicates that the Borough will transfer $500,000 in the June 2019 timeframe. The Borough should work towards identifying $250,000 of additional funding to transfer to the Capital Savings Fund, which when combined with the budgeted capital transfers, would nearly reach the $500,000 target established in the policy.

FIN03 – Prioritize General Fund Balance Amounts Above Established Fund Balance Policy for Capital Needs

Responsible Party:	Target Completion:
Borough Manager, Finance Director	Ongoing

Pottstown's adopted fund balance policy states that the Borough will strive to hold an amount equal to between 15-20 percent of its operating budget in its General Fund reserve account. It also states that the amount is expressed as a goal range to recognize that fund balance levels can fluctuate from year to year due to the normal course of local government operations.

As of January 1, 2019, the Borough's fund balance was $3.3 million, roughly 25 percent of the operating budget. As noted above, the Borough plans to monitor the fund balance status through the first half of the year and transfer $500,000 to the Capital Savings fund if general operations perform in line with expectations. After this $500,000 transfer, the General Fund would project a $2.8 million year-end balance, assuming a perfectly balanced 2019 budget. This amount would exceed the 20 percent of operations level (which is the high end of the Borough's fund balance policy) by almost $200,000.

The Borough should continue to monitor the General Fund balance through the course of the year and transfer balances over 20 percent of operating expenses into the Capital Savings Fund.

FIN04 –Regularly Include Finance Director in Economic Development Matters

Responsible Party:	Target Completion:
Borough Manager, Finance Director	Third Quarter 2019

Expanding the tax base and supporting economic development efforts is essential to the Borough's long-term fiscal stability. The purpose of supporting economic development is to grow the local private economy and in turn strengthen the government's operating budget. Many economic development projects involve financial participation by the local government whether it is through an incentive program, a capital improvement project, or some other means. Because of the obvious budget implications, the Finance Director is a logical choice to participate in the planning and analysis phases of potential economic development projects. Roles the Finance Director can play in economic development matters may include assisting in updating the Borough's existing economic development strategy, analyzing individual development projects, negotiating development agreements, and monitoring compliance with ongoing development agreements. The Finance Department's participation is not meant to impede on the authority of other organizations focused on economic development such as PAID, but rather to provide practical support for planning and analysis purposes.

FIN05 – Revise Borough Tax Collector Duties

Responsible Party: Borough Manager

Target Completion: 2021

2020	2021	2022	2023	2024
$0	$0	$60,000	$60,000	$60,000

The tax collector is elected by vote to collect municipal real estate taxes for Pottstown; however, this individual is given the option of whether they actually perform collections. In recent years, the tax collector has opted not to assume these responsibilities and the Borough instead has performed this function in-house. To the greatest extent possible, the Borough should avoid arrangements with unfit tax collectors and mitigate against those risks. However, almost every other municipality in Montgomery County has an elected tax collector, so the Borough is not in a unique situation. If an active tax collector is elected, it can reduce staff and associated costs in the finance department.

The Borough currently spends about $95,000 per year on salary, benefits, printing, postage, and software costs related to in-house tax collections efforts. New costs associated with a designated tax collector would be approximately $35,000 resulting in an annual net benefit of roughly $60,000.

FIN06 – Consider Creative PILOT Arrangements with Non-Profit Institutions

Responsible Party: Borough Manager

Target Completion: Ongoing

2020	2021	2022	2023	2024
$10,000	$10,000	$10,000	$10,000	$10,000

Approximately 23 percent of usable property in Pottstown is non-tax revenue generating because it is used for tax-exempt purposes. Much of the tax-exempt property is devoted to institutional uses such as medical centers, educational institutions, religious institutions, and other government sponsored entities. Most recently, the Borough's largest taxpayer, Pottstown Memorial Medical Center, was sold to a non-profit, Reading Health System, which resulted in an immediate 2 percent reduction in total current real estate tax revenue to the Borough.

The Borough is diligent in reaching out to its major tax-exempt institutions to communicate the services the Borough provides to taxable and non-profit institutions alike. The Borough regularly mails appeals for payment-in-lieu and tax arrangements (PILOTs); however, not unlike most municipalities, the results are mixed at best.

The Borough has entered into some arrangements with non-profits that are not direct contributions to the general fund, but rather involve the funding of a specific function or piece of equipment. For example, recently the Hill School donated police cars to the Borough, which helped defray operating costs.

The Borough should expand on these successes with a special focus on economic development. Local institutions have a vested interest in the Borough's ability to stabilize and grow the tax base, which is

accomplished in a number of ways including maintaining capital infrastructure, supporting new local businesses, improving public safety and the perception of public safety, and cleaning the streets. The Borough should consider a new approach to its PILOT program that focuses on its efforts to support these activities rather than simply asking for a check.

The Borough should also pursue arrangements with non-profit and governmental organizations that do not pay other fees. The Borough should investigate the feasibility of instituting a storm water fee that would also apply to these tax-exempt entities.

The Borough should set the goal of increasing annual General Fund related PILOT support by $10,000, but should focus primarily on collaborating with non-profits in a way that supports economic development.

FIN07 – Optimize Investment Returns from Fund Balances

Responsible Party: Finance Director

Target Completion: Ongoing

2020	2021	2022	2023	2024
$25,000	$25,000	$25,000	$25,000	$25,000

The Borough currently budgets $25,000 in annual interest income into the General Fund. The current General Fund balance is approximately $3.3 million. If the Borough managed to realize a 2.25 percent return on the entire amount (which is equal to the return on the Pennsylvania Local Government Investment Trust rate for PLGIT Class Shares), total interest income would be about $75,000. If the actual average daily balance of the investments was equal to 20 percent (approximately $2.65 million) of General Fund expenses (which is consistent with the Borough's adopted fund balance policy), a 2.25 percent return would result in about $60,000 of interest income ($35,000 more than currently budgeted). The Borough should periodically review its cash management policy and investment strategy to properly address its liquidity needs and risk preferences while optimizing investment return for the General Fund. The Borough should also regularly compare investment return rates among different institutions to ensure that it is achieving the best return given the parameters outlined in its cash management and investment policies.

7. Police Department

7.1 Overview

The Pottstown Police Department is a full service police Department providing coverage to a diverse population of approximately 23,000 residents 24 hours a day, 365 days a year. It employs a full-time staff, with no part-time officers.

7.2 Department Philosophy

The Department's stated mission as found in department General Order 300.19 is as follows:

"The Mission of the Pottstown Police Department, through a COMMUNITY PARTNERSHIP, is to improve the QUALITY OF LIFE and to provide a sense of SAFETY and SECURITY for ALL members of the community."

In addition, the department subscribes to an organizational values statement which reads thus:

"As partners in the community, we are committed to law enforcement professionalism through:

INTEGRITY: We shall strive to uphold the public trust by being honest, competent, and consistent in our beliefs and actions. We will hold ourselves accountable to the highest standards of moral and ethical conduct;

PRIDE: We will, as members of our Department, take pride in ourselves, our profession, and our community. Working as a team, we will strive to be role models for our community by enthusiastically excelling in quality performance;

SERVICE: We will dedicate ourselves to improve the quality of life in our community by providing a safe environment for all. We are committed to protecting life and property, reducing fear, and developing a partnership with citizens to prevent and solve crimes, and;

FAIRNESS: We will consistently treat all people in this community and within our Department with dignity, compassion, and without prejudice. We will protect the Constitutional and Civil Rights of everyone through impartial enforcement of the law."

Finally, the Department also embraces the concept of unbiased policing in formal written policy:

> "It is the policy of the Pottstown Police Department that any and all persons having contact with any member(s) of the department shall be treated in a nonpartisan, fair, equitable, and objective manner, in accordance with law, and without consideration of their race, color,

national origin, or other individual characteristic(s) or distinction(s) as defined by this General Order, and;

That no member of this Department shall engage in any policy or, procedure, or practice that constitutes bias–based profiling of any group of the population for traffic/pedestrian stops and/or any type of investigation."

The fact that the leadership of the department has clearly delineated the Department's mission and values and has incorporated 21st century policing concerns is evidence of a progressive, forward leaning approach to the management of the Department. These policies reflect the belief that the department views itself as a partner that adds value to the community in addressing quality of life concerns rather than a police force whose mandate is simply enforcing laws and maintaining order.

7.3 Department Organization

The Department is headed by a Police Chief who is a career employee with 20 years of service. He was promoted to Chief in 2018. The Chief enjoys a good reputation with his subordinates and with the Pottstown Police Officers Association which is the collective bargaining unit that represents the rank-and-file members of the department. The Chief had previously served as an officer in the Association and was a negotiator for the labor contract currently in force. As such he has a good working knowledge of the provisions of that agreement which proves beneficial to him in directing the workforce. Civilian oversight of the Department is provided by an elected Mayor with whom the Chief has a good working relationship. The Chief, and the Department overall, have a good reputation among law enforcement peers in both the surrounding area and in Montgomery County in general. As a career employee he possesses significant institutional knowledge.

As a full service Department with a variety of resources, the Department has limited interaction with outside agencies such as the Pennsylvania State Police (PSP), which generally interacts with the department only when a matter under their jurisdiction leads into Pottstown. Relations with PSP are cordial and professional. The Montgomery County District Attorney's Detective Bureau provides investigative support when needed on certain major crimes. The Department does participate in a regional special operations team, and provides significant resources to the organization, and works with the Montgomery County Drug Task Force, although officers generally only work on matters related to Pottstown in that capacity. Overtime hours worked on drug task force investigations are reimbursed to the Department by that entity. The Department also provides services to surrounding agencies in the form of LiveScan processing of persons arrested, and the use of Department cell block space to temporarily house other Department prisoners. It charges a fee for each of these services.

The second in command of the Department holds the rank of Captain and is likewise a career employee with nearly 29 years of service. He attained the rank of Captain in 2013. This individual has excellent police management training credentials as a graduate of one of the premier police administration programs in the country. During the interviews conducted as part of this study he demonstrated a complete grasp of issues in modern policing and an understanding of best practices in the field. As such he is an excellent partner with the Chief of Police when formulating policy or determining strategy to

address emerging issues. It should be noted that the incumbent is currently in the DROP program and will retire in a relatively short period of time. This will result in a significant loss of expertise and institutional knowledge. The Captain position supervises all subordinate sworn personnel in the department through a rank structure, which includes Sergeants, Corporals, and Patrolmen. The Detective designation is not a rank itself but simply a designation given to officers assigned to those duties. This single Captain position is the only sworn subordinate command staff slot on the department's organizational chart and reports directly to the Chief of Police.

The Department has a civilian management slot which consists of an Administrative Manager. This is a non-sworn civilian position responsible for many of the support, administrative, and logistic programs of the Department. On the organizational chart, this position occupies a hierarchical line parallel with the Captain position and also reports directly to the Chief of Police. In many police agencies there would be a sworn Command Staff position that oversees the administrative side of the Department and reports to the Chief of Police. The use of a Civilian Administrative Manager in this slot is actually a cost savings over what the typical salary and benefits would be to have a sworn member serve in this role.

The Administrative Manager supervises the civilian records division, the civilian detective's administrative assistant and the civilian processing officers. The incumbent has served nearly 27 years with the Borough and he appears to be well versed regarding his knowledge of his duties and the manner in which they are carried out. This includes knowledge of procurement and supply, dealing with vendors who service the needs of the Department, IT, records management and other information systems, fleet operations, physical plant, and various fiscal matters, among others. He also administers many of the Department's grant programs. He is aware of the significant role that support services play in the success of the Department and considers himself as part of the team. Like the incumbent Captain he possesses significant institutional knowledge and expertise.

7.4 Staffing Levels

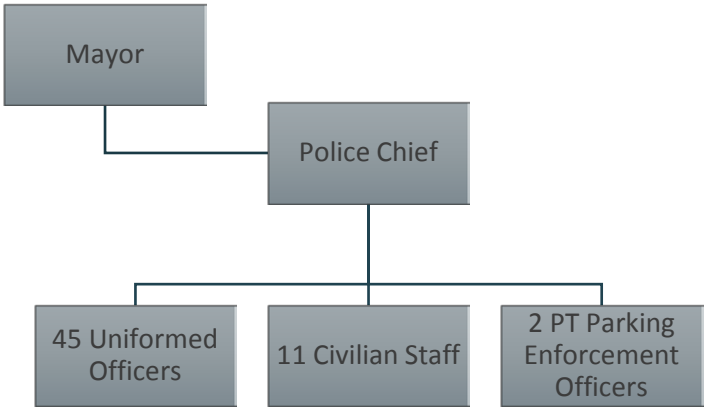
The current composition of the Police Department according to the organizational chart is 46 sworn officers, including the Chief, with one Captain, six Sergeants, seven Corporals, and 31 Police Officers including four detectives, a drug officer, and a school resource officer. There are seven non-sworn civilian processing officers. Staffing levels for the prior five year period are as follows:

Exhibit 7.1-Police Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Police Chief	1	1	1	1	1
Police Captain	1	1	1	1	1
Police Officers (Uniform)	44	44	45	46	42
Department Administrative Manager (Civilian)	1	1	1	1	1
Administrative Assistants (Civilian)	3	3	3	3	2
Civilian Processors (Civilian)	7	8	8	8	7
Information System Work Leader (Civilian)	1	1	1	1	1
Parking Enforcement (Civilian) - Part-time	2	2	2	2	2
Crossing Guards - Seasonal*	36	28	27		
Total Full-Time	58	59	60	61	55
Part-Time Parking Enforcement	2	2	2	2	2
Seasonal	36	28	27	0	0

For comparison purposes, note that the Easton Police Department (Northampton County) services a population of approximately 26,000 with a staff of 62, while the Williamsport Police Department (Lycoming County) services a population of approximately 28,000 with a staff of 58 sworn officers.

Exhibit 7.2-Police Department Organizational Structure



Based on a review of hiring dates for current staff it appears that the department is relatively stable with many officers remaining for their entire career and thus little turnover except for retirements.

With regard to retirements, there are four officers currently eligible to retire, with seven more eligible to retire in the next five years: three in 2019, one in 2020, one in 2022, and two in 2023, all during the term of the proposed five-year plan, and then five more in 2024.

Within the patrol function, the Department currently works 12-hour shifts and has done so for many years. Each shift is staffed by a squad, which consists of one Sergeant, one Corporal, and five Police Officers. Each squad has a complement of Civilian Processing Officers who work concurrent with that squad's schedule. The shifts are from 8:00 AM – 8:00 PM and 8:00 PM – 8:00 AM. Officers working patrol are assigned to geographical zones which roughly coincide with each ward of the Borough. This system has also been in place for many years. The Department does not formally use crime analysis, calls for service analysis, or crime mapping as a tool to determine staffing levels either geographically or time-of-day/day of week. There is no formal "CompStat" type review process.

Officers assigned to the Community Response Unit (CRU), which consists of a Sergeant, a Corporal, and a Drug Officer, work an 8 hour flex schedule dictated by the day-to-day needs of that unit, but often work Noon – 8:00 PM.

Likewise, officers assigned as Detectives work an 8 hour shift, generally from 8:00 AM – 4:00 PM. There is also Detective coverage from 2:00 PM – 10:00 PM from Tuesday – Saturday..

The School Resource Officer works a 7:30 AM – 3:30 AM shift to coincide with school sessions. It should be noted that the school district reimburses the costs for the SRO for that portion of the year that school is in session. Likewise hourly costs for officers who may be assigned to special events at the school such as athletic events are reimbursed by the district.

Command staff and administrative staff (both sworn and non-sworn) work Monday – Friday from 8:00 AM – 4:00 PM.

The Department does not have any contractual obligations regarding minimum staffing levels.

Officers and staff encountered during our on-site visits were professional in appearance and demeanor. Uniformed officers were dressed traditionally with metal badges and regalia and projected a positive image.

7.5 Fleet Operations

The Department currently maintains a fleet of 30 motor vehicles. The majority of these are "police package" vehicles, either sedans or SUVs, with several other being vans or general use vehicles.

Of these, six have in excess of 100,000 miles on them, and several are old with model years ranging from 1999 to 2009, and a number from model year 2010. There is no regular replacement schedule, rather vehicles are replaced as the budget allows and based on maintenance and performance issues. Vehicle maintenance is done almost exclusively in-house by Borough employees.

Marked patrol vehicles have a professional appearance with traditional markings, color, and safety equipment.

7.6 Physical Plant

The Chief provided us with a complete tour of the facility without prior notice. The space was clean. It was noted that sensitive areas such as evidence storage, prisoner processing and holding, and the armory had been designed with security issues in mind. Public areas were clean and professional in appearance.

It appears that the Department has probably outgrown the space allocated to it. Many areas show the wear typical of an active police department and space is cramped in some areas. This is not unusual as the duties and service levels of the Department expand over the years. The issue does not appear critical at the moment, and none of the command staff indicated an immediate concern, but strategic plans may require consideration of this in the future.

7.7 Policies and Procedures

The Department has a complete set of written policies which govern the procedures used by its officers. These include policies addressing critical issues such as Use of Force, Pursuit of Vehicles, Strip Searches & Body Cavity Searches, Prisoner Detention/Holding Facilities, Domestic Abuse, Safe Operation of Department Vehicles, and Custody & Detention of Juveniles, among others.

The Department also has policies in place regarding use of firearms, impact weapons, less-lethal weapons, and ECWs. These policies are particularly necessary for risk management issues.

In addition, the Department has a Field Training Officer program and policies which require appropriate training in a variety of police tactics and equipment.

Current emerging issues such as dealing with individuals with mental health concerns, Alzheimer's disease, and administering Naloxone are also in place, as well as a policy on workplace harassment.

As previously stated there is a commitment to unbiased policing written as formal policy.

We found no policy which reflected a commitment to Officer Wellness as a Department value.

The policies are well written and often use as references similar policies from other well established and respected police agencies, or sources such as the IACP. Policies which incorporate guidelines used by other agencies or "models" from police organizations such as the IACP are often desirable as they have been vetted through the experience of others and often reflect best practices that are in common usage. The lack of civil litigation directed toward the Department and its members is further proof of the appropriateness of the policies in place and the manner in which they are carried out.

There is a formal procedure for continual review and updates of the written policies. These reviews are performed by the Captain along with his various other tasks. He was found to be well versed and knowledgeable about the Department's policies.

The Department is not an accredited law enforcement Department either under national standards as developed by the Commission on Accreditation of Law Enforcement Agencies (CALEA) or within Pennsylvania under state-wide standards developed by the Pennsylvania Law Enforcement

Accreditation Commission (PLEAC). It should be noted that there is no legal mandate to become an accredited agency and the process is fully voluntary. Accreditation is sometimes desirable as it helps to mitigate risk and promotes a positive image of the Department. A review of the policies in place by the Pottstown Police Department indicates that many of those policies are potentially compliant with PLEAC standards.

There is no policy in place requiring officers to account for uncommitted time (i.e. time spent not responding to dispatched calls for service or handling on-view incidents) either via paper logs or in the RMS system.

Of particular concern is the fact that although the Department possesses a written policy outlining disciplinary procedures and listing infractions and penalties for same, and a policy with job descriptions, as well as an employee recognition policy, there is no formal policy regarding Employee Performance Reviews (EPRs). Command staff indicated that there have been no formal written EPRs for decades. Immediate supervisors are responsible for interacting with subordinates and providing them with input regarding performance on an informal basis.

7.8 Labor Relations

As stated previously the Police Department's command staff and the rank-and-file officers have a good relationship, which appears to be free from serious conflict or contention. The Chief of Police previously served in a leadership role in the Pottstown Police Officers Association and both he and the current President of that bargaining unit attribute the good relationship to that previous service (although it should be noted that the current Chief has only occupied a management position since August 2018).

There has been little or no use of the grievance or arbitration systems to address labor-management issues. Part of this is probably attributed to the fact that no disciplinary issues arise from performance related matters as there is no formal EPR process in place, thus no discipline as a result of performance issues.

The PPOA believes that the current terms and conditions in the existing labor agreement are fair, but state that they have the lowest pay scale in the county. It should be pointed out that while Montgomery County has a number of affluent municipalities where police officer pay is among the highest in the state, Pottstown is not among them. As a result, PPOA believes that at the local recruitment level, Pottstown Police Department is not an attractive employment opportunity and thus many qualified candidates seek employment elsewhere.

7.9 Calls for Service

A Call for Service is generated any time an incident occurs for which an officer is dispatched, a report taken, or an event occurs on view. Calls for Service can include crimes, such as a homicide, or a simple service rendered such as an assist to a motorist. Calls for Service are categorized by the nature of the call, with the largest single percentage of said calls falling in the "Other" category – this often contains those calls that the public believe are within the scope of duties of the police department, but often are

not criminal in nature, or deal with public safety or the maintenance of order. The term "Quality of Life" issues are often associated with many of these "Other" calls. An analysis of data shows that these calls have increased by almost 35 percent in the ten year period from 2007-2017.

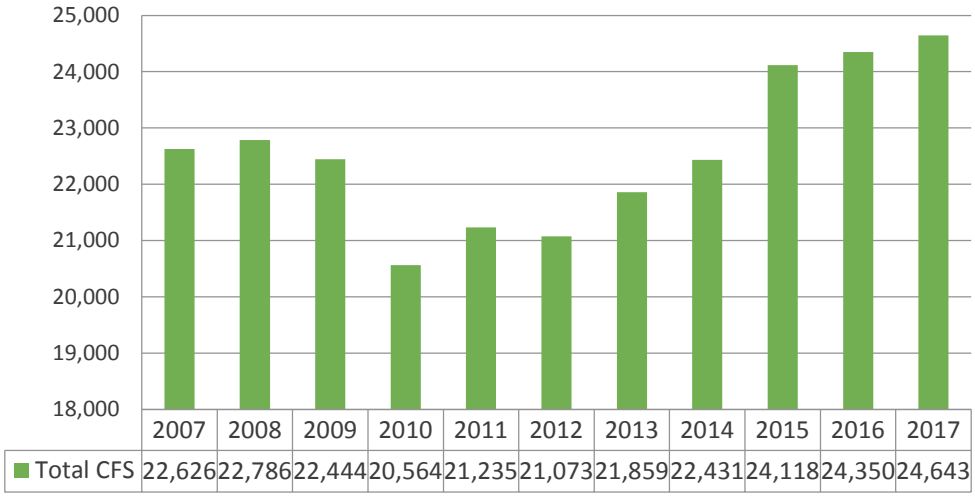
Based on information from the Department's Records Management System (RMS) between 2013 and 2017, total calls for service have increased approximately 12 percent, with a steady rise each year during that time period. Complete 2018 figures are not available, but partial 2018 information indicates that the trend is continuing. During that same time, staffing levels have remained about 45 officers.

Calls for Service numbers generally are used to measure the activity of a police department and to help determine staffing levels. The available staffing, along with the amount of time it takes to resolve a call, impacts the response time to a call for service and the public's view of Department efficiency. After all, when someone calls the police they expect a quick response to their call. Increased calls for service along with decreasing staff results in longer response times which impact community confidence in their police.

A review of specific Calls for Service shows that calls are dispatched quickly and response times, the time elapsed between dispatch and arrival at the scene, are generally fast and efficient. The Department does not "stack" calls (hold calls in some predetermined order pending the availability of a specific unit) and time spent from arrival to call clearance appears to be efficient. It should be noted that the Police Department did away with its own dispatch service several years ago and shares a county-wide dispatch service administered by Montgomery County.

A 10 year comparison of total **Calls for Service** is included below:

Exhibit 7.3-Total Calls for Service (CFS), 2007-2017



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total CFS	22,626	22,786	22,444	20,564	21,235	21,073	21,859	22,431	24,118	24,350	24,643

Source: Pottstown PD RMS System

7.10 Crime Rates

The Pottstown Police Department collects data on crime rates via the Department's RMS system. That data is transferred electronically to the Pennsylvania State Police Uniform Crime Reporting (UCR) system and is available for public view. It should be noted that the current UCR system overall is administered nationwide by the FBI and there is currently a transition underway from UCR reporting to a newer, more robust system called National Incident Based Reporting System (NIBRS). Agencies that currently participate in the UCR system are expected to complete that transition by 2021. The Pottstown Police Department is moving in that direction and is expected to be NIBRS compliant.

Current UCR reporting divides crime into two categories: Part I and Part II Offenses. Part I Offenses include violent crimes and serious property crimes, while Part II Offenses include less serious crimes – often those considered "victimless" crimes or "quality of life" offenses.

A review of crime rates for the five year period of 2012-2016 (latest complete data available from the PSP UCR program) indicates that in 2013 a four year trend began with an overall yearly reduction in Part I Offenses and a yearly increase in Part II Offenses. This appears to have carried over into 2017 and partial 2018 based on data provided by Pottstown PD. A caveat in interpreting these trends with regard to Department performance is this: Part I Offenses tend to be those crimes reported to police by a victim, while Part II Offenses include those types of crimes often observed by police officers who take action on view (e.g. liquor law violations, DUI cases, drug offenses). Police departments like to take credit for both trends – lower Part I Offenses are claimed to be the result of a crime control strategy that deters such offenses and makes the community environment less conducive to those seeking to commit those offenses, therefore less offenses occur and are reported. While an increase in Part II Offenses can be attributed to an aggressive police strategy in targeting those offenses to address emerging community complaints or quality of life issues thus more offenses are reported because they occur concurrent with the officers' actions in attacking them.

A comparison of UCR data with the two agencies listed above (Williamsport PD and Easton PD) serving populations similar in size to Pottstown for the five year period 2012-2016 shows the following regarding Part I and Part II offenses:

Exhibit 7.4 Comparison of UCR Data, 2012-2016

	Pottstown		Easton		Williamsport	
	Part I	Part II	Part I	Part II	Part I	Part II
2012	1,136	2,594	826	2,512	1,366	2,983
2013	1,397	2,382	827	1,786	1,274	2,604
2014	1,331	2,437	716	1,741	1,150	2,066
2015	1,247	2,660	597	1,595	1,025	2,048
2016	1,088	2,644	524	1,570	899	1,903

These statistics can be summed up as follows: despite having slightly higher population than Pottstown, both municipalities have lower crime rates than the Borough of Pottstown, which has a smaller number of police officers than each municipality. In four out of the past five years, Pottstown reported more Part I Offenses, and in three of the past five years, there were more Part II Offenses than in either municipality.

We conclude based on the analysis of data regarding calls for service and crime rates that the Pottstown Police Department in not overstaffed at present.

7.11 Summary of Financial Results

Exhibit 7.5-Police Department Expense Results, 2014-2018[8]

	2014	2015	2016	2017	2018 Draft
Salaries and Wages	$4,107,729	$4,346,545	$4,494,330	$4,647,642	$4,502,019
Overtime	$576,892	$617,441	$560,230	$596,351	$566,224
Workers Comp. Exp.	$0	$0	$0	$0	$0
Health Insurance	$0	$0	$0	$0	$0
Retiree Benefits	$0	$0	$0	$0	$0
Pension	$865,432	$880,611	$903,774	$1,049,802	$1,008,762
Other Benefits	$278,999	$339,681	$360,798	$316,596	$301,664
Supplies	$171,436	$157,947	$153,566	$137,446	$144,973
Other Services	$59,124	$81,854	$47,953	$40,093	$58,878
Communications	$32,605	$36,870	$33,918	$34,349	$30,755
Repairs and maintenance	$132,141	$130,919	$156,917	$118,189	$130,053
Capital Purchase	$334,219	$93,709	$71,124	$3,692	$164,574
Miscellaneous	$62,208	$45,159	$57,416	$8,413	$3,487
Total	$6,620,786	$6,730,735	$6,840,026	$6,952,572	$6,911,390

Source: Borough of Pottstown Financial Statements (2014-2018)

[8] Throughout the report, personnel expense categories with zero total expenditures do not indicate zero total departmental costs associated with the particular category. Instead, zero total expenses indicate no General Fund costs for the given personnel expenditure category. Due to the cost allocation methodology, personnel costs are allocated across different funds.

Exhibit 7.6-Police Department Expense Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Salaries and Wages	$4,785,000	$4,894,000	$5,006,000	$5,120,000	$5,237,000	$5,357,000
Overtime	$477,000	$488,000	$499,000	$510,000	$522,000	$534,000
Workers Comp. Exp.	$308,000	$314,000	$320,000	$327,000	$333,000	$340,000
Health Insurance	$1,267,000	$1,330,000	$1,397,000	$1,466,000	$1,540,000	$1,617,000
Retiree Benefits	$441,000	$451,000	$461,000	$471,000	$482,000	$493,000
Pension	$1,500,000	$1,538,000	$1,576,000	$1,615,000	$1,656,000	$1,697,000
Other Benefits	$296,000	$303,000	$310,000	$317,000	$324,000	$331,000
Supplies	$143,000	$146,000	$149,000	$152,000	$155,000	$158,000
Other Services	$45,000	$46,000	$47,000	$48,000	$49,000	$50,000
Communications	$35,000	$36,000	$36,000	$37,000	$38,000	$39,000
Repairs and maintenance	$133,000	$135,000	$138,000	$141,000	$144,000	$147,000
Capital Purchase	$198,000	$131,000	$131,000	$131,000	$131,000	$131,000
Miscellaneous	$7,000	$7,000	$7,000	$8,000	$8,000	$8,000
Total	$9,635,000	$9,819,000	$10,077,000	$10,343,000	$10,619,000	$10,902,000

The Police Department is the main driver in the Borough's General Fund, accounting for approximately 73 percent of total expenses. The Department is also the main driver behind the Borough's personnel costs, with Police salaries and benefits comprising 80 percent of all General Fund personnel costs. In particular, the police pension puts significant strain on the operating budget increasing 50 percent from $1.0 million in 2018 to $1.5 million in 2019. The Department's costs are expected to continue to grow through 2024 as staffing levels remain the same and the cost per officer continues to increase. The Borough makes regular police-related capital purchases and in recent years received support from the Hill School (a local private secondary school) to fund police vehicles.

7.12 Recommendations

PD01 – MAINTAIN EXISTING STAFFING LEVELS

Responsible Party: Police Chief

Target Completion: Ongoing

With regard to staffing levels during the next five years, if losses occur due to retirement, it is recommended that vacancies be filled as budgeting allows and that every attempt be made to maintain

the present staff level during the next five years. We believe that 46 (+/- 1) sworn officer is an appropriate staffing level for at least the next five years.

This, of course, is subject to revision based on the economic health of the Borough during that five year period and the resulting budgetary implications, as well as any changes in Calls for Service volumes or crime rates. In addition, possible changes in scheduling and deployment based on the results of the study recommendations may have an effect on necessary staffing.

PD02 – REDUCE LIABILITY INSURANCE COSTS

Responsible Party:	Target Completion:
Borough Manager	First Quarter 2020

With respect to the costs of liability insurance for the department, we recommend the following to help lower costs:

a) Consideration should be given to having the Department's cellblock decommissioned and changed to a temporary holding area only. The Department would no longer house prisoners for themselves, or for other agencies. Operation of cellblocks is inherently a high-risk endeavor, thus decommissioning of the cellblocks could result in cost savings on the Department's liability insurance, but those costs might be offset by the loss of revenue generated by housing outside Department prisoners. Temporary holding facilities are appropriate for short term holding of arrestees pending transport for preliminary arraignments or transfer to county jail. This should only be undertaken if it is feasible both from an officer safety and public safety point of view, and if the concurrent loss of revenue from outside agencies is not offset by the savings on liability insurance. In addition, it is possible that the cost of transporting prisoners to other facilities when needed would offset the costs of operating the Department facility.

b) The Chief of Police should consider seeking accreditation under the standards set forth by PLEAC (www.pachiefs.org/pcpa-accreditation-program). Achieving accreditation status may result in lower costs for liability insurance. In addition, the Borough's liability insurance provider, PennPRIME, encourages this action and may provide financial support to help with the costs of the program. (www.pennprime.com/department_excellence_honored/).

PD03 – DO NOT PURSUE REGIONALIZATION

Responsible Party:	Target Completion:
Police Chief	N/A

With respect to the concept of police regionalization, we do not believe that this is a viable option for the Pottstown Police Department. Generally, regionalization occurs among smaller agencies of similar sizes and jurisdictions that are geographically located adjoining each other. They may each offer part time coverage or limited services. Regionalization is attractive because coverage is expanded and additional services (detective, K-9 units, forensic expertise, etc.) may be incorporated. In areas where

there is a larger municipality with a full time/full service police agency, that department has generally been left to stand-alone while surrounding smaller agencies seek regionalization. This is the case in the Pottstown area. Given the volume of calls and incidents of crime it is highly likely that Pottstown would still shoulder the majority of costs for police service in a regionalization plan and no cost savings over the long term would be realized.

PD04 – ENHANCE TRAINING

Responsible Party:	Target Completion:
Police Chief	Third Quarter 2019

Training – the Chief of Police should be given the opportunity to enroll in appropriate executive level supervisory and management programs, and a specific program on budgeting for law enforcement, if he has not been exposed to same already. This is a general recommendation meant to show evidence of continued professional development and is not in any way a critique of the qualifications of the incumbent.

An excellent option for this is the Penn State University Justice and Safety Institute which offers the POSIT, POLEX, and Advanced POLEX police executive programs, as well as programs specifically on budgeting for police agencies. (www.jasi.psu.edu)

This can be a cost effective program especially if the Pottstown Police Department enters into a sponsorship agreement with PSU to serve as a host for this training. PSU offers free slots to the host agency if attendee quotas from other agencies are met.

Additionally, the Chief of Police should determine if a standard list of training credentials approved for those seeking promotion to supervisory or management positions, and those already in those positions is a necessity in the Department. This might include the POSIT class for Corporals, the POSIT and POLEX class for Sergeants, and the POSIT, POLEX and Advanced POLEX class for Captains and above. Again, this is a general recommendation meant to show evidence of continuing professional development among supervisory staff.

The Department should work with the FBI in attempting to secure appointments to the FBI National Academy training program for select members of the department who may be groomed for executive positions as determined by the Chief of Police.

The Department Administrative Manager should be sent for formal training in grants writing if he has not been exposed to same in the past.

PD05 – SUPPORT PROFESSIONAL MENTORING/NETWORKING

Responsible Party:	Target Completion:
Police Chief	Fourth Quarter 2019

Professional Mentoring/Networking – the Chief of Police should seek membership in the Pennsylvania Chiefs of Police Association (www.pachiefs.org) and the International Association of Chiefs of Police (www.iacp.org). Both organizations offer excellent mentoring and networking on police executive issues, including budget and staffing, and offer training programs appropriate for police executives and serve as an excellent resource for both new and experienced police executives.

PD06 – DEVELOP A FORMAL PROGRAM FOR CRIME ANALYSIS TO INFORM STAFFING LEVELS

Responsible Party:	Target Completion:
Police Chief	Fourth Quarter 2019

The Department should develop a program for crime analysis and Calls for Service analysis to determine appropriate staffing levels on a per shift and per day basis. Concurrently, the Department should use crime mapping and Calls for Service mapping to determine patrol zones and patrol zone staffing based on volume. This will assist the Department in the deployment of personnel in a directed manner, and may free up personnel for other assignments. The relative complexity or formality of this program can be determined by the Chief of Police based on his feeling of the data needed to help him carry out his duties.

PD07 – IMPLEMENT A "COMPSTAT" TYPE PROGRAM

Responsible Party:	Target Completion:
Police Chief	First Quarter 2020

Concurrent with the above the department should implement a "CompStat" type of program in which zone supervisors and unit supervisors (such as the detective unit) meet regularly to review crime statistics by zone and discuss strategies for effective operations. This program also can be used to force accountability downward in the organization by holding individual supervisors responsible for activity and results in their particular areas. Again, the relative complexity or formality of this program can be determined by the Chief of Police based on his management style and comfort level with communications from subordinate staff.

PD08 – Implement an Employee Review Process

Responsible Party:	Target Completion:
Police Chief, Human Resources Director	Third Quarter 2019

In order to implement the above it is necessary that the Department work immediately to develop and implement a formal and effective Employee Review Process. This would necessarily include negotiations with the Pottstown Police Officers Association regarding same.

PD09 – Evaluate Change from 12 Hour Shifts

Responsible Party:	Target Completion:
Police Chief, Borough Manager	Fourth Quarter 2019

The Department should examine the use of a work schedule other than 12-hour shifts. While 12-hour shifts have become the norm in many agencies, one significant study by the Police Foundation ("The Shift Length Experiment" www.policefoundation.org) found that "10-hour shifts resulted in significantly more sleep by officers, *significantly reduced overtime,* and increased quality of work life." The study also concluded that "10-hour shifts were optimal in that they were associated with the greatest benefits to the Department and the officers, while offering no apparent limitations in terms of sleepiness or lack of alertness as found among the 12 hour" shifts. 10 hour shifts resulted in less overtime than either 12 hour or 8 hour shifts. This change would necessarily include negotiations with the Pottstown Police Officers Association.

PD10 – Formalize Officer Wellness Policy

Responsible Party:	Target Completion:
Police Chief, Human Resources Director	Second Quarter 2020

The Department should formalize a policy on Officer Wellness. One of the largest costs relating to police personnel is health insurance and it is well documented that police officers suffer from a variety of health issues related to the profession. A commitment to wellness can help with reduced health care costs. Worker compensation costs can also be impacted by officers who are fit and committed to wellness as they suffer fewer job related injuries and lost time. Injured officers also increase overtime costs as additional staff is called in to cover for the injured officer.

Officer Wellness is an issue that is somewhat of a hot button. Some agencies, such as the Pennsylvania State Police and federal law enforcement agencies have formal fitness standards and programs. A wellness program is not a fitness program and does not impose fitness standards. Rather it encourages a healthy lifestyle and a level of fitness appropriate to the job description, and reinforces the Department's commitment to the welfare of its employees as an organizational value.

PD11 – Evaluate Fleet Inventory

Responsible Party:	Target Completion:
Police Chief, Borough Manager	Third Quarter 2019

The Department should review the inventory in the vehicle fleet and sell at auction those vehicles which are aged and not used regularly. In addition, the Department should develop a replacement program that is anticipated in the budget for regular vehicle turnover. When new vehicles are purchased the department should consider using hybrid vehicles to obtain additional fuel related cost savings. The Department currently utilizes Ford vehicles for its police fleet and Ford now offers hybrid police vehicles in both sedan and SUV configurations. (www.ford.com/fordpoliceresponder/). A starting point for hybrid vehicle utilization may be a pilot program to use such vehicles for basic transportation needs in assignments other than the patrol function. As a caveat, any issue with regard to police equipment must be considered with officer safety in mind and not simply fiscal costs.

PD12 – Convert Fleet to Hybrid Vehicles Over Time

Responsible Party:	Target Completion:
Borough Manager, Police Chief	Ongoing

If the Department does purchase or convert to hybrid vehicles they should make that fact known to local media and the citizenry and use it as an example of cost savings and “green” technology in use by a forward thinking Department.

We discovered that the Hill School donates specific funding to the Department to purchase and equip a police vehicle. That funding may provide an opportunity to move to a hybrid vehicle.

PD13 – Take Action to Support Receipt/Disbursement of Donated Funds

Responsible Party:	Target Completion:
Finance Director	First Quarter 2020

With regard to donations, the Municipality should work with civic and business groups to form a coalition or a legal entity that would provide support for the law enforcement efforts of the Pottstown Police Department by receiving and disbursing donated funds. These funds could be directed to high cost areas of the Department’s budget, such as K-9 operations, purchase of SWAT gear, and protective gear for officers, reward funds, or community oriented policing operations. A successful model for this program is Operation Our Town in the Altoona, PA area. (www.operationourtown.org)

PD14 – Expand Role of Non-Sworn Civilian Officers

Responsible Party:	Target Completion:
Police Chief	Third Quarter 2019

The role of the non-sworn civilian processing officers should be expanded to include providing some functions typically handled by sworn officers, but which do not necessarily require an armed individual with arrest powers. This might include traffic control at a secured accident scene, or waiting at the scene for tow vehicles or cleanup crews. It might include serving routine subpoenas, transportation of witnesses or victims, or taking reports for low level crimes with a lack of solvability factors, returning property, and other assignments which would free up a sworn officer for police duties. This would also necessarily require negotiations with the Pottstown Police Officers Association.

Obviously, appropriate training and supervision would be necessary to effectively carry out this role.

PD15 – Improve Public Relations

Responsible Party:	Target Completion:
Borough Manager, Police Chief	First Quarter 2020

The Department should establish a dedicated website and a social media presence on such platforms such as Facebook, Instagram, or Twitter. This should be done professionally and should be a slick and professional product. The website should include the Department's mission statement, commitment to unbiased policing, and right-to-know instructions. It should also include links to file a complaint of officer misconduct and likewise to offer complimentary remarks for police performance or commend a particular officer, and it should provide specific contact information for every member of the department.

The Department should appoint a Public Information Officer (PIO), who could be a civilian with a background in social media and public relations, to maintain and provide content for these social media sites. This individual would also monitor social media for issues relating to the department and be able to respond quickly to unfolding events in the community with clear and accurate information from the Department. Ideally, the PIO would be the point of contact for the Department for inquiries from both the media and the public regarding Department activities and would proactively work to promote the image of the department.

This is an attempt to raise the profile of the department and promote an image of a competent, professional, disciplined, and responsive Police Department that insures public safety and works with the community to promote Pottstown as a progressive, well-managed environment in which to live, shop, dine, or run a business.

Finally, as part of this commitment to image building the Chief of Police should be invited as a component of any organizations which promote the economic development of the community. He should, when possible, attend their meetings in uniform to project the Department's image and to demonstrate the buy-in by the police department to being a partner with respect to public safety and its effect on their efforts, and exhibit a willingness to learn the issues which may help him formulate policy by which the department adds value to the process.

8. Public Works

8.1 Overview

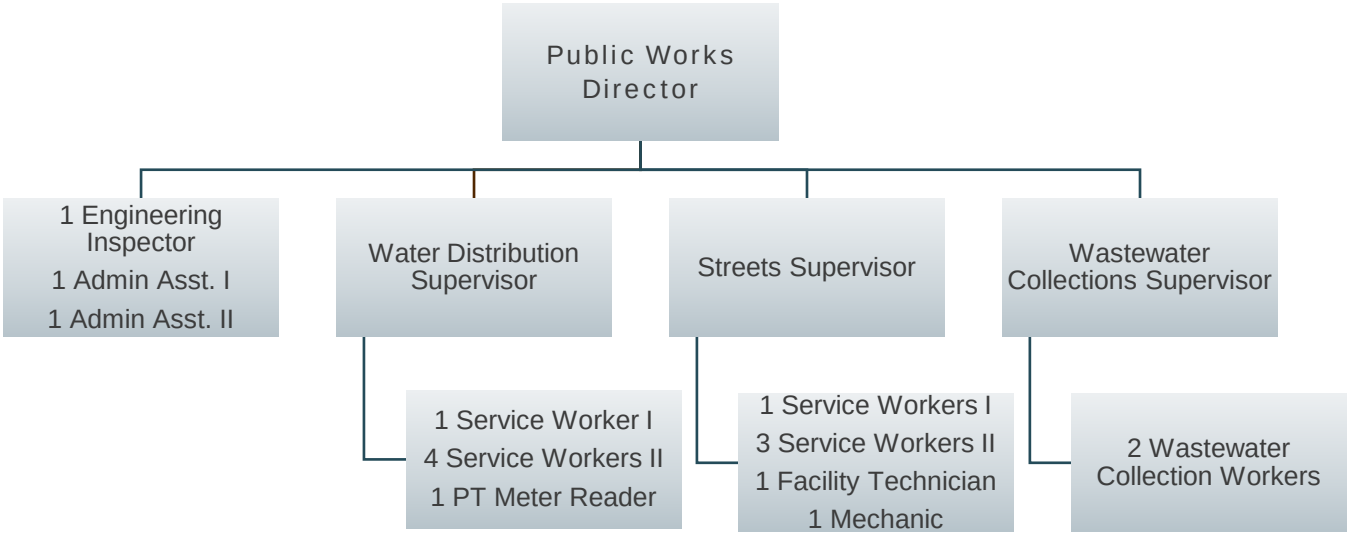
The Department of Public Works is charged with the maintenance of borough streets, water distribution system, and sewer collection system. The department provides for the upkeep of 60 miles of borough-owned roads, including pot holes, snow removal, street lights and traffic lights. It is also responsible for the maintenance of approximately 115 miles of distribution pipes that supplies water to the Borough as well as West Pottsgrove, Upper Pottsgrove, and Lower Pottsgrove Townships. Its Sewer Division maintains 70 miles of pipes within the collection system, which also serves the neighboring towns mentioned above.

Public Works has been comprised of at least 19 full time employees since 2014, adding an additional employee to the Streets Division in 2016.

Exhibit 8.1 –Public Works Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Public Works Director	1	1	1	1	1
Engineering Inspector	1	1	1	1	1
Water Distribution Supervisor	1	1	1	1	1
Street Supervisor	1	1	1	1	1
Wastewater Collections Supervisor*		1	1	1	1
Administrative Assistants	2	2	2	2	2
Facility Maintenance Technician	1	1	1	1	1
Mechanic	1	1	1	1	1
Service Worker - Streets	4	4	4	4	4
Service Worker - Water Distribution	3	5	5	5	5
Wastewater Collection Worker	2	2	2	2	2
Meter Reader - Part-time	1	1	1	1	1
Full-time	17	20	20	20	20
Part-time	1	1	1	1	1

Exhibit 8.2-Public Works Organizational Chart



8.2 Summary of Financial Results

Due to the nature of the Public Works Department, its activities and expenses are funded through several funds including the General fund as well as the Street Light, Water, Parking, Sewer, Airport, Trash, Fire Tax, and Sewer Lines funds, as applicable. Despite this diversification, the vast majority of its general departmental operations and expenditures are financed through the General Fund as detailed in Exhibit 8.3 below.

Historically, personnel expenses have accounted for about 86 percent of the total General Fund Public Works budget. As discussed previously, in 2019, the Borough transitioned to position-based budgeting in order to shift both earnings and employee benefits from the fund level to each employee in their respective departments. As a result, the benefits costs are now distributed across funds in the same proportions as wages. This method reduces the need for inter-fund transfers. Consequently, wage allocation refunds to the General Fund from other funds decreased. Concurrently, General Fund personnel expense allocations to other funds increased. For example, in 2019, over $130,000 in total public works salary is allocated directly to the water fund. In the past, the full Public Works salaries would be budgeted in the General Fund and the General Fund would receive a $130,000 transfer from the Water Fund. Because of the new accounting method, 2019 General Fund Public Works personnel expenses are significantly lower. However, Borough-wide Public Works staffing levels and personnel remain largely unchanged. Capital purchases represent other material expenses and vary by year depending on needs.

Exhibit 8.3-Public Works Expense Results, 2014-2018

	2014	2015	2016	2017	2018 Draft
Salaries and Wages	$674,855	$785,216	$791,675	$526,877	$574,218
Overtime	$52,015	$61,783	$42,970	$12,284	$11,073
Workers Comp. Exp.	$0	$0	$0	$0	$0
Health Insurance	$0	$0	$0	$0	$0
Other Benefits	$58,658	$67,535	$66,362	$41,848	$42,070
Supplies	$40,206	$22,858	$18,321	$12,753	$13,415
Communications	$3,360	$7,773	$8,030	$3,957	$2,843
Repairs and maintenance	$44,768	$25,682	$18,971	$8,978	$9,267
Capital Purchase	$249,110	$0	$0	$137,845	$0
Miscellaneous	$1,404	$1,028	$23,795	$3,322	$2,595
Total	$1,124,375	$971,875	$970,123	$747,865	$655,480

Source: Borough of Pottstown Financial Statements (2014-2018)

Utilizing the assumptions described in Chapter 2, the department's expenses are projected to increase by about 25 percent from $545,000 in 2019 to $684,000 in 2024. This increase is driven by projected increases in personnel expenses.

Exhibit 8.4-Public Works Expense Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Salaries and Wages	$377,000	$386,000	$395,000	$404,000	$413,000	$422,000
Overtime	$23,000	$23,000	$24,000	$24,000	$25,000	$26,000
Workers Comp. Exp.	$13,000	$13,000	$13,000	$13,000	$14,000	$14,000
Health Insurance	$62,000	$65,000	$68,000	$71,000	$75,000	$79,000
Other Benefits	$35,000	$35,000	$36,000	$37,000	$38,000	$39,000
Supplies	$16,000	$16,000	$17,000	$17,000	$17,000	$18,000
Communications	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Repairs and maintenance	$13,000	$13,000	$13,000	$13,000	$14,000	$14,000
Capital Purchase	$0	$64,000	$64,000	$64,000	$64,000	$64,000
Miscellaneous	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Total	$547,000	$623,000	$638,000	$651,000	$668,000	$684,000

8.3 Recommendations

PUB01 – PLAY LEAD ROLE IN DEVELOPING THE BOROUGH'S CAPITAL IMPROVEMENT PLAN

Responsible Party: Target Completion:

Public Works Director, Finance Director — Fourth Quarter 2019

As described in the Finance chapter, a major recommendation is to formalize the process to track deferred maintenance and construct a multi-year capital improvement plan CIP. The plan should include an asset inventory assessment, estimated costs, ongoing operating budget implications, and useful life of assets.

However, as the closest office to understanding the capital assets and needs, it is important for the Public Works Department to play a leading role in formulating a capital improvement plan. The Director should be directly involved in determining priority projects over the next five years along with estimated costs for the liquid fuels road-repair program. This information will then be folded into the administration's Borough-wide capital improvement plan and brought for consideration to Borough Council in the next budget process.

PUB02 – MODERNIZE FLEET MANAGEMENT

Responsible Party: Target Completion:

Borough Manager, Public Works Director — Fourth Quarter 2019

An efficiently run fleet helps to optimize the daily operations of the Public Works department. A mid-sized fleet (25-100 vehicles) can manage its vehicle fleet maintenance in a variety of ways. According to the PA Public Works Manual, this size should consider having a full-time staff to perform maintenance; although specialty work such as body work or accident repair could be completed by local garages. Regardless of the size of the fleet and its maintenance protocols, it should adopt policies and procedures requiring staff to track equipment condition and routine servicing.[9]

The department should consider investing in an industry standard data base to allow administrative staff to measure fleet performance and replacement needs. This could be as simple as Microsoft Excel or Access database to track key metrics such as mileage, age, condition, as well as repair cost to vehicle value. Having a database would also allow for the department to track and manage fleet internally, as opposed to involving the Finance department for analysis.

PUB03 – Proactive Management of Storm water Arches

Responsible Party:	Target Completion:
Borough Manager	Fourth Quarter 2019

Underground stormwater arches are located on private and public land throughout the Borough. Their presence is a deterrent for development, especially given the unpredictable nature of arches to turn into larger structural issues, such as sinkholes. According to the PA Department of Environmental Protection, there are no governmental grants or organizations that provide funding for sinkholes. In addition, the cost to repair these collapsed arches can often be more than the value of the property itself. Therefore, it is that much more important to focus on the prevention of storm water arches becoming dangerous structural problems.

For safety precautions, the Borough is actively working to gain systematic access points above the underground arches to address emergency issues as well as long-term maintenance. We recommend a continuation of these efforts, and seeking state funds from Governor Wolf's Restore PA initiative or from Pennvest to assist with gaining access to the stormwater arches through the addition of manholes. This can fall under Pennvest priorities to fund an improvement project that is helpful to "correct public health, environmental, compliance or safety deficiencies."

[9] Governor's Center for Local Government Services, Public Works Manual, 2002, page 34.

9. Community and Economic Development

9.1 Overview

The Borough of Pottstown, like other steel towns in Pennsylvania, has experienced a period of economic contraction as the demand for heavy industry has declined in favor of a 21st century knowledge based economy. The loss of population between 1960 and 1990 had a rippling effect of disinvestment in the community which led to lower homeownership rates, loss of local consumers, and an increase in vacancy along the downtown business corridor. These macro trends have detracted from the quality of life for residents and visitors alike – and are still affecting the Borough today.

As a result, community and economic development is a high-level priority for the Borough Administration. The major goals stated include attracting new businesses, filling buildings and streets with activity, reducing red tape, and promoting a safe atmosphere in which all residents and businesses can thrive. Community and economic development was also identified as a priority for residents. In fact, during our community survey, economic development was identified as the top service that the Borough should focus on improving, receiving nearly 200 (or 38 percent) of all respondent votes.

Successful community revitalization takes years to implement and requires interdepartmental coordination as well as collaboration with key external stakeholders. Of note, the Pottstown Area Industrial Development Inc. (PAID) is the official arm of economic development for the Borough. Revamped in 2010, PAID is a 501(c)3 entity that "works in partnership with business and municipal leaders to improve the economic climate and future of Pottstown." PAID actively works to attract, retain, and grow businesses; while the borough itself complements these efforts by supporting businesses and streamlining government processes.

PAID plays a particularly key role in coordinating economic development efforts within the borough as well as across municipalities in the region. For instance, with coordination through PAID, Pottstown Borough and West Pottsgrove Township recently adopted Keystone Employment and Economic Plan (KEEP) - making it the first Specific Plan in the Commonwealth of Pennsylvania. The KEEP Specific Plan establishes a vision for economic development, revitalization, and infrastructure improvements of the Keystone Boulevard area. In addition, PAID has helped to coordinate efforts with other stakeholders such as the Pottstown Downtown Improvement District Authority (PDIDA), the Pottstown Land Bank, and Hobart's Run, a community development initiative of the Hill School.

Together, these entities work in concert with the Borough administration to encourage the long-term health and vitality of the Borough. An active and healthy community will attract businesses and residents, and eventually have a positive impact on the general fund by further expanding the local government's tax base.

Licensing and Inspections Department

Within the Borough, the Licensing and Inspection (L&I) Department is essential to both public safety and community and economic development. The principal responsibility of the department is the enforcement of the Borough's code ordinance, which includes rental unit inspections, lawn maintenance, trash and debris enforcement, as well as health inspections of local eateries. L&I oversees the land development process, including zoning, plan review, and issuing permits. It also manages a robust rental program that oversees property transfer and rental inspections and property maintenance for all units in the Borough. In addition to these functions, L&I also issues and tracks business licenses. Through code enforcement activity, the department plays a key role in improving quality of life, remediating blight, and ultimately promoting economic and community development. In addition, the L&I department is represented on the ad hoc zoning board which seeks to attract, retain, and expand businesses in the community through a partnership with PAID and the Borough Manager. In this way, the department is critical to supporting Pottstown's community of economic development goals and, thus, is critical to a discussion of strategies to expand the economic base.

Exhibit 9.1 -Licensing and Inspection Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Licensing & Inspection Director	1	1	1	1	1
Zoning Planning Administrator	1	1	1	0	1
Inspection Officers	4	5	5	5	5
Property Maintenance Inspectors	1	1	2	2	1
Property Maintenance Workers	2	-	-	-	-
Administrative Assistants	2	2	3	2	1
Total	11	10	12	10	9

9.2 Summary of Licensing and Inspections Department Financial Results

In 2019, L&I personnel related expenses account for over 90 percent of total departmental expenses, with salaries and wages dominating total L&I expenses. Salaries and wages represent about 60 percent of the 2019 L&I budget. Because benefits costs are now distributed across funds in the same proportions as wages, personnel expenses such as workers compensation and health insurance appear to have increased significantly from last year. However, this change is merely a reflection of the shift in expenses from other funds to the general fund. Overall, L&I expenses are expected to grow by about 3 percent annually, driven by a projected 2.3 percent increase in salary and wage expense.

Exhibit 9.2- Licensing and Inspections Department Expense Results, 2014-2018

	2014	2015	2016	2017	2018 Draft
Salaries and Wages	$323,158	$493,613	$513,584	$428,694	$413,839
Overtime	$3,492	$1,788	$6,398	$6,925	$3,244
Workers Comp. Exp.	$0	$0	$0	$0	$0
Health Insurance	$0	$0	$0	$0	$0
Other Benefits	$25,699	$41,528	$45,351	$35,955	$35,095
Supplies	$25,060	$27,722	$20,047	$11,668	$18,958
Other Services	$52,176	$36,234	$46,686	$38,564	$28,863
Communications	$6,443	$8,555	$8,551	$9,363	$6,733
Repairs and maintenance	$45,575	$2,646	$5,613	$3,108	$1,451
Miscellaneous	$7,555	$11,882	$10,082	$6,816	$8,416
Total	$489,159	$623,969	$656,311	$541,094	$516,600

Source: Borough of Pottstown Financial Statements (2014-2018)

Exhibit 9.3- Licensing and Inspection Department Expense Projections, 2019-2024

	2019 Budget	2020	2021	2022	2023	2024
Salaries and Wages	$457,000	$467,000	$478,000	$489,000	$500,000	$511,000
Overtime	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Workers Comp. Exp.	$13,000	$13,000	$14,000	$14,000	$14,000	$15,000
Health Insurance	$184,000	$193,000	$202,000	$212,000	$223,000	$234,000
Other Benefits	$48,000	$49,000	$50,000	$51,000	$52,000	$53,000
Supplies	$19,000	$20,000	$20,000	$21,000	$21,000	$21,000
Other Services	$38,000	$39,000	$40,000	$41,000	$41,000	$42,000
Communications	$8,000	$8,000	$9,000	$9,000	$9,000	$9,000
Repairs and maintenance	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Miscellaneous	$8,000	$9,000	$9,000	$9,000	$9,000	$9,000
Total	$780,000	$803,000	$827,000	$851,000	$874,000	$899,000

Economic Development and Grants

In addition to the efforts of L&I, the Borough also separately categorizes economic development and grants activity in the budget. The 2019 budget includes a total of $308,150 that is included in economic development and grants activity. These efforts include regular contributions to PAID including a $45,000 donation in 2018 and a $20,000 contribution to the Pottstown Land Bank. In addition, grant funding supports critical community and economic development efforts. In 2019, the Borough anticipates that approximately $100,000 in Community Development Block Grant funds will be used to address issues related to storm water arches.

9.3 Recommendations

DEV01 – DECREASE RED TAPE FOR DEVELOPMENT

Responsible Party:	Target Completion:
Borough Manager, PAID	Fourth Quarter 2019

Bureaucratic hurdles have been raised as an issue from residents and stakeholders during our community outreach phase. Specifically, stakeholders cited a difficult permit process as an impediment to development in the Borough and a lack of customer service during interactions with the L&I Department. Developers have also publicly stated the need for streamlined development review processes.

The Borough is already working to decrease bureaucratic hurdles that hinder development, while maintaining the necessary regulations and procedures to keep its residents safe. Considering the critical need to attract investment, this is an important goal.

We have identified a number of efforts that will help improve the development process. First, the Borough should continue its ad hoc zoning group. Members include the Borough Manager, the L&I Director, the Zoning Officer, the Solicitor, the PAID Executive Director, and two council representatives. This group is tasked with identifying barriers and figuring out solutions that are modern and business-friendly, such as updating the sidewalk ordinance to allow for outdoor dining. The formation of this group represents a creative multi-disciplinary approach to solving current issues.

Secondly, the Borough should initiate a comprehensive development review process. This effort starts with interviewing key developers, assessing the current process, and developing standard operating procedures to minimize the length of time it takes from application process to construction. Within this process, it will be helpful to review the fee schedule not only to align it with the true costs of providing the service – but also to compare and rank amongst neighboring municipalities in Montgomery County.

Depending on the feedback from the development review process, it may be helpful to consider creating a development services center. This could serve as a one stop shop for all development needs including permitting, zoning, plan review, fire inspections, etc. The purpose would be to have one point of entry and one service representative to help navigate through the development process.

DEV02 – PROMOTE DEVELOPMENT IN OPPORTUNITY ZONES

Responsible Party:	Target Completion:
PAID, Borough Manager	Immediate

The Borough should seek EIP Phase 2 grant support to promote development in opportunity zones. The passage of the Tax Cut and Jobs Act of 2017 included a federal tax incentive to invest in economically distressed areas. These areas, known as federal Opportunity Zones, represent new opportunities to attract capital into under-served markets for real estate and development projects. It is expected that

the Opportunity Zone program will have far reaching impacts on economic development across the country, and as a result, communities are grappling with how they can maximize Opportunity Zone investment for local goals.

Pottstown has three census tracts designated as Opportunity Zones. We recommend developing a comprehensive Opportunity Zone strategy for the Borough, which can be funded through a phase two Early Intervention Program grant via PA Department of Community and Economic Development. The strategy must be tailored for the community, but should include at least the following three components:

First, it is important to undertake an intentional Opportunity Zone educational campaign. There is a significant knowledge gap between the investment community (wealth fund managers, tax attorneys, and tax accountants) who are setting up Qualified Opportunity Funds and the community development stakeholders that will be the recipient of Opportunity Zone investments. As a result, it is incredibly important to educate all stakeholders (residents, businesses, local developers, etc.) about this tax incentive and what it means for their community or business. PAID is currently in the process of a similar educational campaign. Therefore, additional grant support could be used to enhance their efforts and add on new tactics such as online messaging, town hall meetings, or webinars.

Second, PAID should complete an assessment of economic development opportunities in Pottstown. A key component of attracting investment will be to understand the economic landscape of these Opportunity Zone areas. This includes coordination among the state and the county to align incentives and public sector funding to the Opportunity Zone areas. In addition, it means identifying a pipeline of shovel-ready projects that can help spur further development in the Borough.

For example, PAID has already identified a major project called the Life Sciences Center. The Center will have lab space and can serve as an incubator for STEM businesses and complimentary services such as CPAs and patent attorneys. It will also provide educational opportunities for the public school system as well as the Hill School, provide workforce training for residents, and serve as a pipeline for STEM employers. The Life Science Center has the potential to be a source of pride for the community. Notably, its presence will generate spillover benefits such as increasing the foot traffic in downtown and increasing the number of employees with livable wages, which in turn spurs more consumer spending power that can support businesses. Projects like these may be attractive to outside investors, but they also serve important purpose within the community.

Finally, one of the most important strategies is to aggressively market Opportunity Zone communities. Developing an Opportunity Zone investment prospectus is an early best practice for cities to attract Opportunity Zone funds. The investment prospectus is a mix of a marketing document (selling the positive aspects of the community), economic development document brief (economic data and trends), and a private investment memorandum (details on investment ready projects). It should be in both print and digital to maximize distribution to investors outside of the region. In addition, we recommend that PAID and borough leadership develop a strategy to connect with Opportunity Funds themselves through targeted outreach to fund managers and institutions that may be establishing a Montgomery County or Pottstown specific fund.

DEV03 – Activate Downtown on Temporary Basis

Responsible Party:	Target Completion:
Borough Manager, External Stakeholders	Fourth Quarter 2020

Over 50 percent of Community Survey respondents cited Pottstown's public image as a top priority for the Borough to focus on in order to attract new businesses. Pottstown's public image is intricately intertwined with the vitality of its downtown along with other key concepts such as public safety, active residential and commercial markets, robust education system, and job opportunities.

The vital signs of a healthy downtown include active streets with a mixture of pedestrian and car traffic, where residents and tourists can easily shop, dine, rest, and socialize together. Initiatives to activate downtown are important for several reasons. Activities that increase foot traffic help local businesses gain exposure and additional customers. It energizes residents by providing recreational, commercial, and social activities. Combined together, this helps to build a sense of place and provides a remedy to the perception of public safety issues. Most importantly, it helps residents and visitors imagine the possibility of what Pottstown can become in the future.

Temporary activation of downtown is a best practice used by communities around the country. This should be a mixture of event programming (festivals, food trucks, beer gardens, etc.) in conjunction with "tactical urbanism" or short term changes to the built environment (parklets, pop up bike lanes, etc.). The intervention should be for a short time such as a day or one weekend and include low-cost initiatives that excite the residents, businesses, and visitors. The idea is to promote what could be and test out ideas that are scalable and can inform long-term change.

This type of collaboration is the responsibility of a number of governmental departments including L&I, Parks and Recreation, and the Borough Manager's office. But it will be most successful by partnering with external stakeholders who care about the health of downtown, such as PAID, the Pottstown Downtown Improvement District Authority (PDIDA), and Hobart's Run a community development initiative of the Hill School.

DEV04 – Blight Remediation

Responsible Party:	Target Completion:
L&I Director and Borough Manager	First Quarter 2020

2020	2021	2022	2023	2024
($12,000)	$0	$0	$0	$0

Blight remediation has long been a goal of the Borough Administration and should continue to be so. The Borough has implemented a number of key strategies including a Blighted Property Review Board, as well as the creation of the Pottstown Land Bank. However, blight is an intractable social problem that

requires a coordinated strategy and consistent focus to improve. As such, we recommend a holistic approach to blight remediation that can help align the various organizations and process.

There are a number of nonprofit and governmental organizations that can provide technical assistance for blight remediation, such as the Pennsylvania Department of Community and Economic Development (DCED). DCED has a relationship with Housing Alliance of Pennsylvania to provide high-impact locally driven training and technical assistance. For approximately $12,000, municipalities can receive 100 hours of expertise for local solutions to combat blight. The grant requires a 25 percent match by the municipality; the remaining costs may be available through a matching grant fund at DCED.

In this engagement, Pottstown would receive the *Blight to Bright Handbook* and tailored technical assistance and training on best practices in code enforcement including legal aspects of code enforcement systems: what you can and cannot do today under state law; financial aspects of code enforcement; how-to - benefits and requirements of an effective code enforcement data system; succeeding in Magistrate's Court; and data.

DEV05 – Increase Licensing and Inspection Efforts

Responsible Party:	Target Completion:
L&I Director and Borough Manager	First Quarter 2020

2020	2021	2022	2023	2024
$30,000	$30,000	$30,000	$30,000	$30,000

Public safety income is the third largest source of General Fund revenue totaling $1.1 million in 2019, including nearly $650,000 in code enforcement related revenue. Code enforcement revenue includes building permits, building code violation charges, plumbing permits, vacant property ordinance fees, use & occupancy property transfers, and rental inspection fees and licenses. With the assistance of a blight remediation specialist, the Borough should seek to implement strong policies to remediate blight resulting in increased enforcement and subsequently increased public safety revenue. The enforcement goals should be strategic with a focus on repeat offenders and strategic locations such as the main thoroughfares. Although quality of life improvements are the ultimate goal, increased revenue through enforcement is an additional benefit.

10. Borough Authority

10.1 Overview

The Pottstown Borough Authority (the "Authority") is a municipal authority which exists under the Municipality Authorities Act, 53 Pa.C.S. ch. 56 (the "Authorities Act"). The Authority was organized by the Borough in 1951. In 1988, the Borough extended the life of the Authority until 2038.

The Authority owns a wastewater treatment plant and leases it to the Borough for the operation of a Sewer System serving the Borough as well as the surrounding Townships of Lower Pottsgrove, West Pottsgrove and Upper Pottsgrove. The treatment plant disposes of sewage from approximately 14,000 users in the Borough and the Townships and has a capacity of 15.6 million gallons per day. The Sewer System is leased by the Authority to the Borough pursuant to an Agreement of Lease dated as of May 1, 1989, as amended and supplemented (the "Sewer Lease"). Pursuant to a Sewer System Agreement dated as of July 12, 2011 (the "Sewer System Agreement"), the Borough operates the Sewer System and sets and collects rates and charges, and the Authority has certain rights of input, advice and oversight, including (i) certain rights and responsibilities with regard to the hiring of personnel for senior management positions of the Authority, (ii) approval rights for extraordinary repairs and capital additions to the Sewer System, and (iii) input into the development of financing plans for capital additions to the Sewer System. All of the employees who work on the Sewer System are Borough employees. The Authority has no employees.

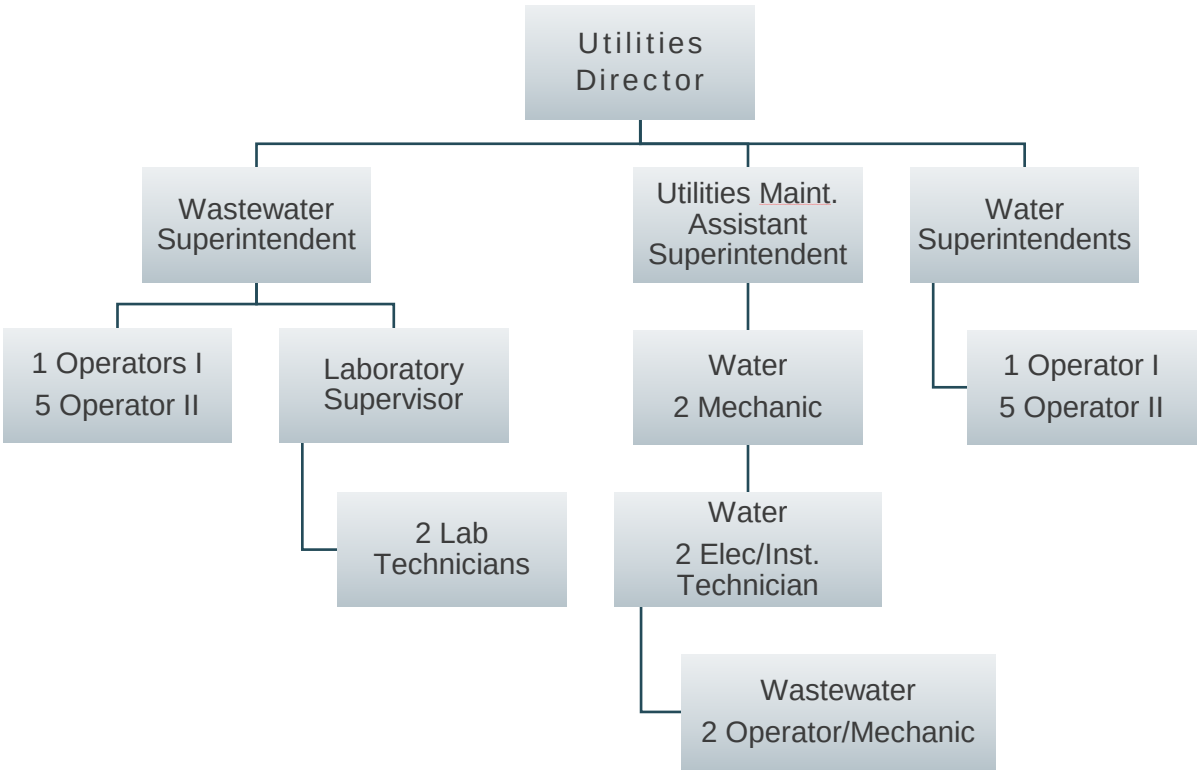
The Authority also owns a water treatment plant and a transmission, production, storage and distribution Water System serving the Borough as well as portions of the Townships of Lower Pottsgrove, West Pottsgrove, Upper Pottsgrove and North Coventry and, in Berks County, a portion of Douglas Township. The Borough, as agent of the Authority, is responsible for operating and managing the Water System pursuant to a Management Agreement dated as of November 15, 1990, as amended and supplemented (the "Water Management Agreement"), between the Authority and the Borough. The Authority sets the rates and charges, and the revenues are collected and held by the Borough. All of the employees who work on the Water System are Borough employees.

The headcount and the organizational chart for the Water and Sewer Systems are as set forth in Exhibits 10.1 and 10.2 below.

Exhibit 10.1-Sewer System and Water System Headcount, 2014-2018

	2014	2015	2016	2017	2018
Utilities Director	1	1	1	1	1
Assistant Superintendent - Wastewater Treatment Plant	1	1	1	1	1
Operators - Wastewater Treatment Plant	6	6	6	6	6
Laboratory Supervisor	5	6	5	5	5
Laboratory Technicians	1	1	0	0	0
Operations and Maintenance Supervisor	1	1	1	1	1
Assistant Superintendent - Maintenance	2	2	2	2	2
Mechanic/Operator - Maintenance	1	1	0	0	0
Electrical/Instrumentation Technician -Maintenance	1	1	1	1	1
Superintendent - Water Treatment Plant	0	0	1	2	2
Operators - Water Treatment Plant	1	1	2	2	2
Wastewater Operator/Mechanic	1	1	2	1	2
Total	22	22	25	26	24

Exhibit 10.2 -Sewer System and Water System Organizational Chart



10.2 Summary of Financial Results

As reflected in Exhibit 10.3 below, the Sewer System has achieved operating surpluses before transfers of at least $1.2 million every year since 2014. After capital and other transfers, the system experienced negative changes in fund balance in 2017 and 2018. The recent transfers to the Sewer Capital Fund were largely to pay for a new dryer, which is completely paid off in April 2019. The system's main revenue source is sewer fees, which account for 63 percent of operating revenues. A particular area of revenue growth has been the sewer bulk collection; management sees this as a revenue source that can continue to increase over time.

Personnel expenses represent 24 percent of operating expenses in the 2019 budget. Historically, personnel costs represented between 18 and 20 percent of operating expenses; however, the new cost allocation methodology implemented in 2019 results in increased costs to the system. Of the system's $2.2 million in personnel costs, 58 percent is for salaries and overtime. The remaining 42 percent (or $510,000) goes towards health benefits.

Annual debt service costs represent 28 percent, or $2.7 million, of the operating budget. The system will retire its Series 2016 debt in 2021, which will reduce annual debt service costs by almost $2.3 million, providing significant operating relief to the system.

The system has a very healthy fund balance position of $7.2 million, which represents 75 percent of operating expenses, or 270 days of operating cash.

The baseline financial projections reflect the system's five-year capital improvement plan, which calls for annual capital investment between $350,000 and $2.3 million through 2024. The forecasts assume these improvements are funded on a pay-as-you-go basis. The reduction in annual debt service costs allows the system to fund capital needs and still maintain surpluses and strong fund balance position through at least 2024.

Exhibit 10.3-Sewer System Operating Results, 2014-2018

Revenue	2014	2015	2016	2017	2018 Draft
Sewer Fees	$5,832,678	$5,897,874	$5,803,623	$5,818,689	$5,788,394
Sewer Bulk Collection	$2,396,553	$2,276,492	$2,404,742	$2,710,701	$3,188,289
Contributions	$804,496	$862,886	$942,199	$831,623	$926,344
Other Revenue	$175,581	$304,253	$169,034	$299,880	$318,590
Total	$9,209,308	$9,341,505	$9,319,599	$9,660,892	$10,221,616
Expenses					
Salaries and Wages	$1,134,515	$1,109,070	$1,207,148	$1,069,524	$1,342,052
Overtime	$60,052	$59,030	$80,217	$68,139	$56,588
Health Insurance	$375,548	$381,669	$495,810	$571,952	$555,468
Pension	$0	$0	$0	$74,584	$0
Other Benefits	$156,225	$177,215	$187,326	$191,823	$288,415
Insurances	$75,402	$76,803	$77,388	$84,828	$91,491
Sludge Disposal	$540,518	$526,005	$708,185	$451,436	$903,333
Other Services	$399,172	$2,904,655	$582,746	$333,814	$179,605
Supplies	$1,157,399	$1,363,634	$1,244,854	$1,447,184	$1,218,300
Repairs and Maintenance	$887,258	$832,720	$628,732	$997,649	$918,418
Debt Service	$2,888,914	$408,200	$1,806,603	$2,596,074	$2,661,896
Miscellaneous	$285,476	$295,171	$283,178	$264,162	$208,424
Total	$7,960,479	$8,134,172	$7,302,189	$8,151,170	$8,423,991
Operating Surplus/Deficit	$1,248,829	$1,207,333	$2,017,410	$1,509,722	$1,797,625
Transfers	$838,479	$838,479	$1,696,796	$1,531,629	$3,100,000
Net Change	$410,350	$368,854	$320,614	($21,907)	($1,302,375)
Beginning Fund Balance	$7,406,996	$7,817,346	$8,186,200	$8,506,814	$8,484,907
Ending Fund Balance	$7,817,346	$8,186,200	$8,506,814	$8,484,907	$7,182,533

Source: Borough of Pottstown Financial Statements (2014-2018)

Exhibit 10.4-Sewer System Operating Projections, 2019-2024

Revenue	2019 Budget	2020	2021	2022	2023	2024
Sewer Fees	$5,853,000	$5,911,000	$5,971,000	$6,030,000	$6,091,000	$6,151,000
Sewer Bulk Collection	$2,400,000	$2,400,000	$2,400,000	$2,400,000	$2,400,000	$2,400,000
Contributions	$866,000	$866,000	$866,000	$866,000	$866,000	$866,000
Other Revenue	$170,000	$170,000	$170,000	$170,000	$170,000	$170,000
Total	$9,289,000	$9,347,000	$9,407,000	$9,466,000	$9,527,000	$9,587,000
Expenses						
Salaries and Wages	$1,233,000	$1,263,000	$1,295,000	$1,327,000	$1,360,000	$1,394,000
Overtime	$46,000	$47,000	$48,000	$50,000	$51,000	$52,000
Health Insurance	$510,000	$536,000	$562,000	$590,000	$620,000	$651,000
Pension	$0	$0	$0	$0	$0	$0
Other Benefits	$417,000	$427,000	$438,000	$449,000	$460,000	$472,000
Insurances	$93,000	$94,000	$96,000	$98,000	$100,000	$102,000
Sludge Disposal	$850,000	$867,000	$884,000	$902,000	$920,000	$938,000
Other Services	$316,000	$322,000	$329,000	$335,000	$342,000	$349,000
Supplies	$1,369,000	$1,396,000	$1,424,000	$1,453,000	$1,482,000	$1,511,000
Repairs and Maintenance	$650,000	$663,000	$676,000	$690,000	$703,000	$717,000
Debt Service	$2,657,000	$2,652,000	$2,660,000	$408,000	$407,000	$410,000
Miscellaneous	$301,000	$307,000	$313,000	$319,000	$326,000	$332,000
Total	$8,442,000	$8,574,000	$8,725,000	$6,621,000	$6,771,000	$6,928,000
Operating Surplus/Deficit	$847,000	$773,000	$682,000	$2,845,000	$2,756,000	$2,659,000
Transfers	$1,073,000	$357,000	$930,000	$1,330,000	$1,650,000	$2,260,000
Net Change	($226,000)	$416,000	($248,000)	$1,515,000	$1,106,000	$399,000
Beginning Fund Balance	$7,183,000	$6,958,000	$7,374,000	$7,123,000	$8,638,000	$9,743,000
Ending Fund Balance	$6,958,000	$7,374,000	$7,123,000	$8,638,000	$9,743,000	$10,141,000

Source: Borough of Pottstown Financial Statements (2014-2018)

As reflected in Exhibit 10.5 below, from 2014 to 2018, the water system's achieved operating surpluses every year expect for one. Water fees represent $6.1 million of the system's total budget of $6.9 million. The system also collects about $417,000 from bulk water sales and $216,000 from rents and royalties. The system passed 5 percent annual rate increases for 2020 and 2021.

Personnel expenses are about 38 percent of operating expenses. Personnel costs increased significantly in 2017 compared to previous years when the Borough started allocating pension expenses to different funds (including the water system). Salaries and overtime are the primary personnel costs, representing 55 percent ($1.4 million) of these expenses. The Borough budgets $520,000 for health insurance in 2019 and these costs are projected to increase 5 percent annually.

Like the Sewer Fund, debt service is a key expense for the Water Fund, representing 30 percent of operating expenses. The Water system will realize significant operating cost relief when its Series 2012 and 2016A debt is repaid in 2023 and 2019, respectively. Annual debt service costs will drop by almost $1.6 million by 2024, which will offset stagnant revenues allowing the Authority to fund capital improvements.

The Water Fund has a very strong fund balance of $8.5 million, which is 123 percent of operating expenses. If capital improvements are funded on a pay-as-you-go basis, as assumed in the financial forecasts below, the system will experience significant pressure on its fund balance, which would decline to $3.9 million by 2024. The fund balance projection may change if the Authority changes course and funds a portion of its capital program with a new borrowing.

Exhibit 10.5- Water System Operating Results, 2014-2018

Revenue	2014	2015	2016	2017	2018 Draft
Water Fees	$5,495,519	$5,543,892	$5,365,963	$5,548,991	$5,803,392
Bulk Water Sales	$380,392	$363,766	$346,306	$393,424	$396,510
Penalties and Interest	$110,420	$121,856	$93,362	$86,025	$87,291
Rents and Royalties	$223,772	$191,525	$192,513	$208,452	$203,481
Other Revenue	$96,329	$116,449	$89,946	$399,504	$385,449
Total	$6,306,432	$6,337,487	$6,088,091	$6,636,396	$6,876,123
Expenses					
Salaries and Wages	$1,107,111	$1,234,661	$1,121,156	$1,540,545	$1,485,484
Overtime	$31,761	$23,313	$38,714	$88,354	$90,347
Health Insurance	$307,557	$294,621	$377,869	$547,633	$500,491
Pension	$0	$0	$0	$110,676	$105,475
Other Benefits	$91,826	$113,858	$129,153	$244,560	$239,581
Insurances	$57,349	$68,400	$69,597	$70,651	$83,544
Other Services	$681,033	$656,098	$738,719	$661,174	$642,035
Supplies	$497,474	$569,748	$573,732	$503,841	$535,400
Repairs and Maintenance	$363,622	$417,603	$745,221	$538,918	$630,576
Debt Service	$1,918,472	$1,976,374	$1,775,288	$1,993,199	$1,989,607
Miscellaneous	$342,908	$612,870	$431,169	$459,611	$189,217
Total	$5,399,112	$5,967,545	$6,000,618	$6,759,163	$6,491,756
Operating Surplus/Deficit	$907,320	$369,942	$87,473	($122,767)	$384,367
Transfers to Capital	$0	$140,317	$58,317	$0	$0
Net Change	$907,320	$229,625	$29,156	($122,767)	$384,367
Beginning Fund Balance	$7,049,977	$7,957,297	$8,186,922	$8,216,078	$8,093,311
Ending Fund Balance	$7,957,297	$8,186,922	$8,216,078	$8,093,311	$8,477,677

Exhibit 10.6-Water System Operating Projections, 2019-2024

Revenue	2019 Budget	2020	2021	2022	2023	2024
Water Fees	$6,096,000	$6,401,000	$6,721,000	$6,788,000	$6,856,000	$6,925,000
Bulk Water Sales	$418,000	$422,000	$426,000	$430,000	$434,000	$439,000
Penalties and Interest	$85,000	$85,000	$85,000	$85,000	$85,000	$85,000
Rents and Royalties	$217,000	$221,000	$226,000	$230,000	$235,000	$239,000
Other Revenue	$48,000	$48,000	$48,000	$48,000	$48,000	$48,000
Total	$6,864,000	$7,177,000	$7,506,000	$7,581,000	$7,658,000	$7,736,000
Expenses						
Salaries and Wages	$1,358,000	$1,392,000	$1,426,000	$1,462,000	$1,499,000	$1,536,000
Overtime	$69,000	$71,000	$72,000	$74,000	$76,000	$78,000
Health Insurance	$520,000	$546,000	$574,000	$602,000	$632,000	$664,000
Pension	$351,000	$360,000	$369,000	$378,000	$387,000	$397,000
Other Benefits	$277,000	$284,000	$291,000	$298,000	$306,000	$314,000
Insurances	$203,000	$208,000	$212,000	$216,000	$220,000	$225,000
Other Services	$601,000	$613,000	$625,000	$638,000	$651,000	$664,000
Supplies	$580,000	$592,000	$604,000	$616,000	$628,000	$641,000
Repairs and Maintenance	$653,000	$666,000	$679,000	$693,000	$706,000	$721,000
Debt Service	$1,995,000	$2,003,000	$2,008,000	$2,004,000	$841,000	$421,000
Miscellaneous	$255,000	$260,000	$266,000	$271,000	$276,000	$282,000
Total	$6,862,000	$6,995,000	$7,126,000	$7,252,000	$6,222,000	$5,943,000
Operating Surplus/Deficit	$2,000	$182,000	$380,000	$329,000	$1,436,000	$1,793,000
Transfers to Capital	$0	$815,000	$1,730,000	$1,530,000	$2,300,000	$2,300,000
Net Change	$2,000	($633,000)	($1,350,000)	($1,201,000)	($864,000)	($507,000)
Beginning Fund Balance	$8,478,000	$8,478,000	$7,845,000	$6,495,000	$5,294,000	$4,429,000
Ending Fund Balance	$8,478,000	$7,845,000	$6,495,000	$5,294,000	$4,429,000	$3,923,000

Because all of the personnel working on the Water and Sewer Systems are Borough employees, in its budget, the Borough allocates all or a portion of the salaries and benefits of certain Borough employees to the Water System and to the Sewer System, and such amounts are paid for from the Water Fund and the Sewer Fund respectively. Pursuant to the Water Management Agreement, the Authority also pays an annual fee to the Borough equal to 6.4 percent of the aggregate of the budgeted annual costs of

operating and maintaining the Water System and 115 percent of the average annual debt service requirements on the water revenue bonds.

Section 5612(a.1) of the Authorities Act prohibits the use of any water or sewer revenues for any purpose (with limited exceptions) other than a service or project directly related to the mission or purpose of the Authority as set forth in its articles of incorporation or establishing ordinance. The payments to the Borough by the Authority under the Sewer Lease, the Sewer System Agreement and the Water Management Agreement appear to constitute a comprehensive coverage of the costs incurred by the Borough for its management and operating functions with respect to the Water and Sewer Systems.

10.3 Selling the Water and Sewer Systems

Under Act 12 of 2016, the Pennsylvania General Assembly amended the Public Utility Code to implement a procedure for valuation of water or sewer systems that are being sold. The purpose of Act 12 was to enable an acquiring utility, such as American Water or Aqua PA, to take into account the purchase price it pays for a water or sewer system, when the utility applies to the Public Utility Commission (PUC) for a subsequent rate increase. In other words, the acquiring utility is able to spread the cost of acquisition over ratepayers in its entire service area. This legislation has set off an effort by the large public utilities to purchase municipal water and sewer systems across Pennsylvania. A municipality near Pottstown, Limerick Township, recently sold its sewer system to Aqua PA for $75.1 million. Similar sales are being contemplated or have been agreed to in Plymouth Township and Cheltenham Township in Montgomery County and Exeter Township in Berks County.

The obvious benefit to the selling municipality is a large infusion of cash. After paying off its outstanding debt related to the system it is selling, the municipality can apply the net sale proceeds to other needs of the municipality, such as capital projects or underfunded pension obligations. There are possible negatives to such a sale: "It is the position of PMAA (Pennsylvania Municipal Authorities Association) that ownership and control of water and wastewater systems should remain local, that the customers, served by public authorities experience better customer relations, better rates and higher quality products and services."[10] The risk of future significant rate increases can be a major concern.

The sale of its largest physical asset by a municipality is a huge decision. It should only be undertaken after extensive and detailed analysis of the potential positive and negative results. A financial advisor and legal advisor experienced in such transactions should be retained by the municipality to advise it on the process.

There is also the matter of timing. Once a system is sold, it is sold, and it will not be able to be sold again should the municipality find itself in serious financial difficulties in the future.

Pottstown Borough has its financial challenges, but it is not in a desperate situation in which it must sell assets to survive. Its water and sewer systems are in good shape and are being successfully and

[10] *Proud History and Bright Future: The Value of Authority Ownership of Public Water and Sewer Systems* (PMAA 2018), page 3.

professionally run for the benefit of the Borough and surrounding communities. We would not recommend a sale at this time. The Borough should focus on all the other ways it can improve its situation as outlined elsewhere in this report.

After thoroughly vetting all options available to the Borough by consultants expert in these matters, should the Borough decide it is in the best interest of the community to consider a sale of its water and/or sewer systems, it can undertake a Request for Proposals process. That process would identify interested purchasers and have them present bids for what they are willing to pay for the system(s). The Borough would then have the ability to reject all the offers if it finds them insufficient, or it could accept an offer to sell that it finds attractive.

10.4 Recommendations

AUTH01 – RECRUITMENT

Responsible Party:	Target Completion:
Borough Manager	First Quarter 2020

According to the Utilities Director, there is some concern that with anticipated retirements, it will become increasingly difficult to recruit qualified candidates to serve in the Water and Wastewater treatment plants. He reports being in contact with local schools in an effort to foster the relationships necessary to recruit qualified employees as they graduate.

Currently, the AFSCME contract provides for educational reimbursement in the amount of $650.00, to be administered in accordance with Chapter 1, Section 401, et seq. of the Borough's Ordinances related to the "Educational Assistance Program for Employees." If in fact recruitment and retention is an issue for Water and Wastewater treatment operators, the Borough should explore expanding this program to provide additional benefits for such employees. To ensure that employees are not utilizing the Borough's increased benefits and then porting the paid for skills to new employment, a structured agreement that requires the employee to repay a portion of those costs – on a sliding scale basis – if they do not remain employed for a designated period of time could be utilized. Such a structure would distinguish this benefit from a traditional educational reimbursement and training program available to other employees.

AUTH02 – Selling Water and Sewer System

Responsible Party:	Target Completion:
Borough Council, Authority Board	Second Quarter 2019

The Borough Council in conjunction with the Authority Board should have a preliminary discussion about whether the Borough and Authority should consider the sale of the Water System or Sewer System at this time. See Section 10.3 above. Should the Borough decide to pursue an RFP process for the monetization of the systems, Pottstown should seek EIP Phase 2 support for the review and analysis of the proposals. The benefit of conducting an RFP process is that the Borough would collect more data to make an informed decision without any obligation to execute a sale.

AUTH03 – Review the Terms of the Sewer Lease

Responsible Party:	Target Completion:
Borough Manager, Finance Director, Borough Solicitor, Authority Solicitor	Second Quarter 2019

The Borough Manager in conjunction with the Borough Solicitor, the Authority Solicitor and the Director of Finance, should review the terms of the Sewer Lease, the Sewer System Agreement and the Water Management Agreement to determine if the provisions are currently being followed and if any amendments to these agreements are desirable.

AUTH04 – Consider Debt Financing as Part of Capital Improvement Plan

Responsible Party:	Target Completion:
Authority Board, Finance Director	Ongoing

As noted above, the Water Fund's Series 2012 debt issuance will mature in 2023 and the Sewer Fund's Series 2016 will mature in 2021 which will provide significant relief to both operating funds. The Authority has developed a multi-year capital improvement plan and the financial projections above assume these improvements are funded on a pay-as-you-go basis. The Authority should not rule out debt financing future capital improvements, however. While debt issuance will include interest expense that is borne by the rate payers, the Authority carries a "AA" rating from Standard & Poor's Rating Group, which enables it to achieve relatively low cost financing. Also, financing the improvements over time will better match the useful life of the asset with its repayment schedule. That is, current rate payers will not be paying for the entire cost of the project when users for many years will be enjoying the benefits of the capital improvement. The Authority should meet with its financial advisor to discuss the implications of issuing debt to fund a portion of its future capital needs.

AUTH05 & ADM01 – CONSIDER THE BOROUGH-WIDE TAX AND FEE MIX WHEN SETTING RATES

Responsible Party:	Target Completion:
Authority Board	Ongoing

As noted throughout this report, achieving long-term budgetary balance must include a strategy to expand the tax base and support the local economy. Tax competitiveness is a key part of that strategy. Prospective residents and businesses will consider many factors when deciding where to invest including tax burden and service mix. If the Borough is not competitive with other jurisdictions from a tax rate perspective, it will be at a clear disadvantage to surrounding communities competing for new development.

Tax competitiveness is not just limited to real estate (Borough and School District) and earned income tax rates, but also includes other local user fees, including water and sewer fees, as well. To the extent that the Borough cannot avoid raising real estate millage rates to fund government operations, the Authority should be even more disciplined in maintaining a competitive fee structure. The Authority should keep fee levels in mind when developing its plans to fund capital improvements, its fund balance policies, and management agreement with the Borough.

AUTH 06 AND WF06 – WORKFORCE

Responsible Party:	Target Completion:
Borough Council, Borough Manager, Authority Board	Ongoing

Personnel expenses represent 24 percent of operating expenses in the 2019 budget. Historically, personnel costs represented between 18 percent and 20 percent of operating expenses; however, the new cost allocation methodology implemented in 2019 results in increased costs to the system. Of the system's $2.2 million in personnel costs, 58 percent is for salaries and overtime. The remaining 42 percent (or $510,000) goes towards health benefits. Borough Council and the Authority should consider the workforce recommendations included in Chapter 4.

11. Fire

11.1 Overview

Pottstown provides fire protection services through a combination career and volunteer Fire Department comprised of four different fire companies – the Goodwill Fire Company, North End Fire Company, Empire Hook & Ladder Company; and the Philadelphia Steam Fire Company – with three firehouses (Goodwill and Empire share one firehouse). Each of these companies has a long and successful history of serving the residents of the Borough and surrounding communities. There are 12 career firefighters with three at each company. The Borough pays the health benefits for each of these employees as part of its annual contribution to each company.

The fire companies have about 40 volunteers, about half of which live outside of the Borough. The Fire Chief reports that about 15 volunteers will show up at a fire. The Borough responds to about three calls per day, which equates to roughly 1,000 calls per year.

The Borough owns two ladder trucks, but the other apparatus and equipment, including three pumpers, a rescue truck, and certain other vehicles are owned by the companies.

11.2 Summary of Financial Results

The Borough accounts for fire protection service activity in a Fire Fund with an annual budget of approximately $1.6 million. Pottstown imposes a designated fire service millage rate to support fire protection services, which accounts for $1.4 million of the $1.6 million budget. The Borough increased the millage rate by 16.0% in 2019 to offset gradually increasing costs of providing fire services. The Fire Fund realized an operating deficit in 2017 and relied on a fund balance transfer in 2018 to balance the budget.

Each year, the Borough makes a contribution of about $250,000 to each of its four fire companies. This contribution supports general operations and pays for the health insurance costs of the 12 career firefighters. Other key expenses include salary and benefits costs for the Fire Chief (who is a Borough employee) and equipment and maintenance expenses.

The Fire Fund has averaged about $30,000 in capital purchases in recent years; however, the Fire Chief and the companies reports that the fiscal condition of the fire companies is weakening and they will be challenged to afford more capital purchases in the future. The Fire Fund is projected to run deficits unless the millage rate is raised regularly to cover operating cost increases. Since these projections do not account for capital needs, these deficits understate the Fire Fund's true fiscal challenges.

Exhibit 11.1-Revenue and Expense Results, 2014-2018

Revenue	2014	2015	2016	2017	2018 Draft
Real Estate Tax	$1,230,918	$1,236,747	$1,242,593	$1,245,665	$1,234,474
Firemen's Relief Contribution	$128,569	$121,788	$120,995	$108,584	$98,765
Permits	$84,942	$91,791	$116,202	$99,032	$119,939
Other Revenue	$24,448	$22,461	$64,119	$23,672	$107,452
Transfers from Reserves	$0	$0	$98,812	$214,201	$0
Total	$1,468,876	$1,472,787	$1,642,722	$1,691,153	$1,560,629
Expenses					
Payment to Fire Companies	$995,085	$1,086,144	$1,047,527	$1,063,748	$1,060,202
Salaries and Wages	$35,953	$37,906	$91,206	$102,563	$58,842
Workers Comp. Exp.	$23,785	$51,672	$53,312	$55,280	$51,648
Health Insurance	$0	$0	$0	$26,309	$22,538
Pension	$24,643	$27,000	$0	$27,000	$27,000
Other Benefits	$2,803	$3,022	$2,932	$12,456	$5,842
Insurances	$6,138	$7,293	$7,444	$1,565	$1,464
Firemen's Relief Distribution	$128,569	$121,788	$120,995	$108,284	$0
Equipment/maintenance	$77,279	$14,480	$125,788	$115,063	$121,297
Supplies	$23,447	$22,568	$12,563	$14,649	$16,168
Capital Purchase	$0	$0	$12,454	$53,551	$53,469
Miscellaneous	$29,994	$54,401	$13,200	$29,108	$32,253
Total	$1,347,694	$1,426,272	$1,487,421	$1,609,576	$1,450,722
Surplus/Deficit	$121,182	$46,514	$155,301	$81,577	$109,908
Transfers	$0	$0	$0	$0	$0
Net Change	$121,182	$46,514	$155,301	$81,577	$109,908

Source: Borough of Pottstown Financial Statements (2014-2018)

Exhibit 11.2-Revenue and Expense Projections, 2019-2024

Revenue	2019 Budget	2020	2021	2022	2023	2024
Real Estate Tax	$1,414,000	$1,414,000	$1,414,000	$1,414,000	$1,414,000	$1,414,000
Firemen's Relief Contribution	$97,000	$97,000	$97,000	$97,000	$97,000	$97,000
Permits	$38,000	$38,000	$38,000	$38,000	$38,000	$38,000
Other Revenue	$64,000	$65,000	$66,000	$67,000	$69,000	$70,000
Transfers from Reserves	$0	$0	$0	$0	$0	$0
Total	$1,613,000	$1,614,000	$1,615,000	$1,616,000	$1,618,000	$1,619,000
Expenses						
Payment to Fire Companies	$1,059,000	$1,073,000	$1,088,000	$1,103,000	$1,118,000	$1,133,000
Salaries and Wages	$86,000	$87,000	$88,000	$90,000	$91,000	$92,000
Workers Comp. Exp.	$45,000	$46,000	$47,000	$48,000	$49,000	$50,000
Health Insurance	$0	$0	$0	$0	$0	$0
Pension	$27,000	$28,000	$28,000	$29,000	$30,000	$31,000
Other Benefits	$41,000	$42,000	$42,000	$43,000	$44,000	$44,000
Insurances	$9,000	$10,000	$10,000	$10,000	$10,000	$10,000
Firemen's Relief Distribution	$97,000	$97,000	$97,000	$97,000	$97,000	$97,000
Equipment/maintenance	$121,000	$123,000	$125,000	$128,000	$130,000	$133,000
Supplies	$22,000	$22,000	$23,000	$23,000	$24,000	$24,000
Capital Purchase	$54,000	$32,000	$32,000	$32,000	$32,000	$32,000
Miscellaneous/Transfers	$49,000	$28,000	$28,000	$29,000	$29,000	$29,000
Total	$1,610,000	$1,588,000	$1,608,000	$1,632,000	$1,654,000	$1,675,000
Surplus/Deficit	$3,000	$26,000	$7,000	($16,000)	($36,000)	($56,000)
Transfers	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Net Change	$0	$23,000	$4,000	($19,000)	($39,000)	($59,000)

11.3 Recommendations

FD01 – SEEK EIP PHASE 2 SUPPORT FOR CONSULTANT ASSISTANCE ON FIRE SERVICE REGIONALIZATION OR MERGER

Responsible Party:	Target Completion:
Borough Manager, Fire Chief	2023

2020	2021	2022	2023	2024
$0	($20,000)	$0	$85,000	$85,000

As noted above, the financial health of the Borough's four fire companies is weakening and their limited ability to pay for new fire apparatuses will be a serious challenge. Pottstown's fire companies' financial challenges are not unique – fire companies across the country are struggling to find volunteers and raise funds necessary to provide adequate fire service. The Borough's fire companies must respond to these challenges proactively and identify synergies between the separate units.

Mergers are difficult, but certainly not impossible. Locally, the Limerick and Linfield fire companies recently announced that they are currently working together toward a merger of the two organizations and will become one entity. The fire companies cited difficulty in recruiting volunteers and financial challenges as motivations for merging.

There was an effort several years ago to merge the four fire companies, which was ultimately unsuccessful. Not only was a merger not executed, but the effort may have resulted in hard feelings that persist to this day.

Fire company mergers, especially in this situation, are sensitive and must be approached carefully. It is important that the four companies have strong input into any merger discussions and that their concerns be taken into account. The Borough should seek EIP Phase 2 funding from DCED to support a consolidation feasibility study and a consultant support to facilitate a merger. The long-term viability of the Borough's fire services likely depends on the four fire companies' ability to streamline costs, to fundraise, and to recruit. If the Borough can implement a regionalization strategy, it should set a goal of reducing costs by 5 percent annually.

FD02 – IMPROVE VOLUNTEER FIREFIGHTER RECRUITMENT AND RETENTION EFFORTS

Responsible Party:	Target Completion:
Fire Chief	First Quarter 2020

2020	2021	2022	2023	2024
$0	($10,000)	($10,000)	($10,000)	($10,000)

Like most communities across Pennsylvania and Montgomery County, Pottstown's fire protection services rely largely on volunteer firefighters. Fire departments nationwide are coping with a trend of declining volunteerism. This trend is particularly relevant in Pennsylvania, which along with New York and Texas has the highest number of all-volunteer fire companies in the country. Since Pottstown relies

on the support of its volunteers and will continue to rely on them into the future, it is imperative that the Borough be proactive in addressing the recruitment and retention of volunteer firefighters.

The Fire Chief should work with the Pottstown Fire Committee (which consists of the officers of the four fire companies) to devise strategies to improve volunteer firefighter recruitment and retention. The Borough should consider offering volunteer benefits that may be enticing to workers, but have minimal budgetary impact. Such benefits may include free downtown parking, free family participation in Borough recreational activities, subsidized membership at local organizations, and other amenities.

The Borough may also choose to recognize volunteers for outstanding achievements such as completing fire training programs or achieving certification and completing years of fire service. The Fire Chief and the committee should identify marketing strategies for recruitment and establish goals to increase volunteer headcount. The Fire Chief and the committee should document their achievements and report their progress back to the Borough Manager and Borough Council.

FD03 – Reconsider Adoption of the Volunteer Firefighter Tax Credit

Responsible Party:	Target Completion:
Fire Chief, Borough Council	2020

2020	2021	2022	2023	2024
$0	($5,000)	($5,000)	($5,000)	($5,000)

In 2016, the Governor signed into law Act 172, which provides municipalities the option to offer real estate or earned income tax credits to active members of a volunteer fire company or nonprofit emergency medical service agency through a volunteer service credit program. Active volunteers who meet the service credit criteria established by the municipality in consultation with the Fire Chief would be eligible for the tax credit. Only volunteers that are Borough residents would be eligible for the credit.

In 2017 and 2018, the Borough performed an analysis on the tax credit and decided that the benefits for improving volunteer firefighter recruitment and retention did not outweigh the costs to the general fund. We recommend that the Borough reconsider the tax credit as part of its strategy to strengthen the volunteer ranks in the Fire Department.

FD04 – Improve Fee Collection Efforts

Responsible Party:	Target Completion:
Fire Chief/L&I Director	First Quarter 2020

2020	2021	2022	2023	2024
$15,000	$15,000	$15,000	$15,000	$15,000

The Borough recently consolidated the Fire Chief and Fire Marshal positions. Since both performed inspections, which in turn generated fees, the Borough anticipates a steep reduction in collections in 2019. The Borough has collected about $100,000 in permit related revenue annually in recent years, but

budgets just $38,000 this year. The Fire Chief should collaborate with L&I inspectors (with the required qualifications) to assist with commercial property fire inspections. The career firefighters who are qualified to do inspections should be utilized. L&I inspectors should try to perform the fire inspections concurrently with other inspections on the same property to streamline activities to the largest extent possible. The Borough should set the goal of increasing permit collections by $10,000 per year. Pottstown should apply these new revenues towards the recruiting and retention expenses outlined in FD02. Representatives of the fire companies believe that a robust inspection regimen will decrease the number of fires in the Borough.

FD05 – Reassess Fire Marshal Position for 2020

Responsible Party:	Target Completion:
Borough Manager	Fourth Quarter 2020

The Borough recently eliminated the Fire Marshal position in the 2019 budget as a cost savings measure. The Fire Marshal, along with the Fire Chief, was responsible for performing fire inspections across the Borough. Without the Fire Marshal, inspections are logically expected to decline, which is reflected in the 2019 budget. The Borough budgets $37,000 in permit revenue for 2019 compared to collections of over $100,000 in 2018.

The Borough should monitor the number of inspections performed in 2019 and compare it to the budgeted expectations. The Borough should consider both the public safety and financial implications of refilling the Fire Marshal role as it is possible that the Fire Marshal may generate enough revenue to cover the salary and benefits for the position.

FD06 – Include Fire Department in Capital Expense Planning

Responsible Party:	Target Completion:
Finance Director, Fire Chief	Fourth Quarter 2019

As noted above, the financial condition of the Borough's fire companies jeopardizes their ability to adequately fund capital needs. The Borough should engage in capital planning discussions with the Fire Department to ensure that future capital funding needs are identified and addressed. The Borough is responsible for a significant portion of the Fire Department's funding each year. As the Borough considers its capital funding needs now and in the future, it must involve the Fire Department in this process.

The Borough should also encourage the Fire Department to explore possible grant funding for its future needs.

The report does not attempt to estimate the level of deferred maintenance or the annual cost to adequately fund the multi-year capital improvement plan. The baseline financial forecasts assume $32,000 in annual payments towards fire service related capital improvements, which is its average outlay from the

Fire Fund in recent years. Any funding requirements above that level and beyond available unrestricted Capital Fund balance would need to be found through additional corrective budgetary action or through the issuance of debt.

FD07 – Explore use of the Commonwealth's Volunteer Loan Assistance Program (VLAP) to support Capital Needs in the Fire Department

Responsible Party: Borough Manager

Target Completion: Fourth Quarter 2019

2019	2020	2021	2022	2023
TBD	TBD	TBD	TBD	TBD

In the past, some of the Borough's fire companies have utilized Volunteer Loan Assistance Program (VLAP) loans to finance expensive fire apparatuses. The program, run out of the Office of the State Fire Commissioner, provides low interest loans to eligible fire department. In general, the loans carry 2 percent interest, have a 20-year term, and cover up to 50 percent of the cost of the apparatus.

The Borough should consider the use of VLAP financing for fire apparatus as part of its multi-year capital planning process.

12. Parks and Recreation

12.1 Overview

The Parks and Recreation Department offers affordable educational and recreational programming for Borough residents and visitors from neighboring communities. The department also manages, improves, and preserves 13 parks and facilities including the Fountain of Youth Spray Park, Trilogy BMX, a skateboard park, ball fields, picnic pavilions, tennis courts, the Riverfront walking trail, the Bark Park, and playground equipment. In addition, the Parks and Recreation Department managed Manatawny Green miniature golf facility is a differentiating local asset. Department supported community events including Ice Skating at the Hill, the Pottstown Film Festival, and Cheesetoberfest encourage placemaking.

Exhibit 12.1-Department Headcount, 2014-2018

	2014	2015	2016	2017	2018
Parks and Recreation Director	1	1	1	1	1
Program Coordinator		1	1	1	1
Park Maintenance Workers	3	3	3	3	3
Camp Counselors/Summer Food/Mini Golf/Seasonal Park Maintenance Worker	17	16	16	14	13
Total Full-time	5	5	5	5	5
Seasonal Staff	17	16	16	14	13

12.2 Summary of Financial Results

Parks and Recreation activities are primarily supported by the 1.058 millage rate resulting in roughly $720,000 in average annual revenue. As experienced in the General Fund, declining assessment values also place increasing pressure on the Parks and Recreation Fund. Program and fee revenue represents about 17percent of total revenue historically. The summer lunch program has also historically resulted in material revenue before being outsourced to a third party manager in 2018 due to inadequate internal staffing.

Personnel expenses have accounted for over 56 percent of the total Parks and Recreation budget historically, and are estimated to increase to over 68 percent of the total Parks and Recreation budget in 2019. Program expenses have declined from about 14 percent of expenditures in 2014 to about 5 percent of the 2019 budget. Capital purchase expenses vary by year and need, with the most recent large purchase occurring in 2014.

Exhibit 12.2-Parks and Recreation Department Revenue and Expense Results, 2014-2018

Revenue	2014	2015	2016	2017	2018 Draft
Real Estate Tax	$741,773	$745,325	$720,402	$722,328	$685,715
Programs and Fees	$165,250	$165,425	$188,949	$196,018	$154,434
Rental Income	$8,509	$12,418	$25,047	$26,603	$32,081
Summer Lunch Program	$111,097	$153,659	$111,058	$122,085	$0
Miscellaneous	$8,777	$9,506	$17,212	$12,381	$8,629
Total	$1,035,407	$1,086,332	$1,062,669	$1,079,415	$880,859
Expenses					
Salaries and Wages	$315,024	$353,770	$364,879	$353,943	$328,734
Overtime	$20,854	$25,247	$26,092	$30,948	$23,947
Workers Comp. Exp.	$13,770	$17,681	$19,942	$23,067	$24,935
Health Insurance	$88,251	$117,143	$134,138	$162,353	$157,427
Other Benefits	$27,099	$33,347	$33,326	$33,986	$30,481
Program Expenses	$151,606	$184,857	$165,372	$149,651	$42,622
Insurances	$23,094	$25,607	$28,940	$31,340	$32,198
Supplies	$136,723	$92,015	$105,399	$81,745	$66,803
Repairs and maintenance	$20,143	$24,457	$26,214	$19,041	$16,104
Capital Purchase	$76,752	$29,364	$23,267	$17,639	$2,689
Contributions	$46,363	$40,000	$40,000	$40,000	$30,000
Debt Service	$96,897	$0	$0	$0	$0
Miscellaneous	$76,103	$79,677	$93,007	$81,283	$95,610
Total	$1,092,679	$1,023,163	$1,060,577	$1,024,997	$851,549
Surplus/Deficit	($57,272)	$63,169	$2,091	$54,418	$29,309
Transfers	$0	$75,000	$0	$0	$0
Net Change	($57,272)	($11,831)	$2,091	$54,418	$29,309

In the absence of millage rate increases, the growth of Parks and Recreation expenditures is expected to exceed the rate of revenue growth, resulting in deficits beginning in 2020. Personnel costs will drive expenditure growth, with salaries and wages increasing at a rate of 2.3 percent annually.

Exhibit 12.3- Parks and Recreation Department Revenue and Expense Projections, 2019-2024

Revenue	2019 Budget	2020	2021	2022	2023	2024
Real Estate Tax	$792,000	$792,000	$792,000	$792,000	$792,000	$792,000
Programs and Fees	$176,000	$179,000	$182,000	$185,000	$188,000	$191,000
Rental Income	$26,000	$21,000	$21,000	$21,000	$21,000	$21,000
Summer Lunch Program	$0	$0	$0	$0	$0	$0
Miscellaneous	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Total	$999,000	$997,000	$1,000,000	$1,003,000	$1,006,000	$1,009,000
Expenses						
Salaries and Wages	$360,000	$370,000	$381,000	$392,000	$404,000	$415,000
Overtime	$23,000	$24,000	$25,000	$26,000	$27,000	$29,000
Workers Comp. Exp.	$100,000	$102,000	$104,000	$106,000	$108,000	$111,000
Health Insurance	$88,000	$92,000	$97,000	$102,000	$107,000	$112,000
Other Benefits	$95,000	$98,000	$101,000	$103,000	$107,000	$110,000
Program Expenses	$49,000	$50,000	$52,000	$53,000	$55,000	$56,000
Insurances	$36,000	$37,000	$38,000	$39,000	$39,000	$40,000
Supplies	$74,000	$76,000	$77,000	$79,000	$80,000	$82,000
Repairs and maintenance	$14,000	$15,000	$15,000	$15,000	$15,000	$16,000
Capital Purchase	$16,000	$24,000	$24,000	$24,000	$24,000	$24,000
Contributions	$40,000	$41,000	$42,000	$42,000	$43,000	$44,000
Debt Service	$0	$0	$0	$0	$0	$0
Miscellaneous	$82,000	$89,000	$91,000	$92,000	$94,000	$96,000
Total	$977,000	$1,018,000	$1,047,000	$1,073,000	$1,103,000	$1,135,000
Surplus/Deficit	$22,000	($21,000)	($47,000)	($70,000)	($97,000)	($126,000)
Transfers	$0	$0	$0	$0	$0	$0
Net Change	$22,000	($21,000)	($47,000)	($70,000)	($97,000)	($126,000)

12.3 Recommendations

PR01 & FIN06 – Consider Creative PILOT Arrangements with Non-Profit Institutions

Responsible Party:	Target Completion:
Borough Manager, Parks and Recreation Director	Ongoing

The Finance Department chapter encourages the Borough to seek creative PILOT arrangements with community partners. Sponsorship and resources to support community programming should be considered as an impactful, creative PILOT arrangement. Unfortunately, in a community suffering from socio-economic challenges, public programming is often the first service that is cut to balance the Parks and Recreation Department budget. There are several local examples of institutions supporting community events. For example, the Philadelphia School, which considers itself the sole progressive, private pre-secondary school in downtown Philadelphia, is a member of the Center City Residents Association and the Friends of Schuylkill River Park (FSRP). The Philadelphia School helped pay for the Schuylkill River Park playground equipment and helps fund maintenance of the field.

PR02 & FIN01 – Develop a Multi-Year Capital Improvement Program

Responsible Party:	Target Completion:
Finance Director, Parks and Recreation Director	Fourth Quarter 2019

As discussed in the finance chapter, the Borough should develop and execute a multi-year Capital Improvement Plan (CIP) to ensure that Pottstown possesses the necessary public infrastructure to support neighborhood and commercial redevelopment efforts. The Parks and Recreation Department should participate in this effort. Given the limited full-time staff in the Parks and Recreation Department, extensive records of park equipment state are difficult to maintain and replacing existing equipment was identified as an anticipated departmental challenge. The Department relies on grant funding to replace equipment. The Plan should assess the state of current Parks and Recreation assets, establish priorities, and identify potential funding sources. Parks and Recreation activities are differentiating community assets that play a key role in community and economic development and must be maintained and improved as part of broader community and economic development efforts.

PR03– Initiate a Record-Keeping Process and Policy

Responsible Party:	Target Completion:
Finance Director, Parks and Recreation Director	Fourth Quarter 2019

Parks and Recreation staff identified record-keeping as an area in need of improvement. The CIP progress can be used as an opportunity to initiate a process and policy of extensive record-keeping

within the Department. This process should include not only accounting for the state of physical assets, but also developing a system to aggregate and organize important documents including plans associated with Parks and Recreation assets.

PR04 –Seek Proposals to Lease Manatawny Green miniature Golf Facility to a Private Operator

Responsible Party:	Target Completion:
Borough Manager, Finance Director, Parks and Recreation Director	Fourth Quarter 2019

Manatawny Green miniature golf facility is managed by the Parks and Recreation Department. This amenity is primarily a public asset for Pottstown residents and surrounding communities, but it is also essentially a small business offering a service for a price. Management of the golf course in the peak seasons can stretch limited staff and resources. In order to manage the responsibility of managing a small business, the department has engaged the services of a third-party staffing firm in recent years. The Borough should seek proposals to lease Manatawny Green miniature Golf Facility and consider leasing management of the facility and to a private operator. A private operator could release the Borough from the responsibility of staffing, maintaining, and ensuring the profitability of the course. The Borough does not have to commit to leasing the course, but will have an opportunity to assess potential proposals and arrangements.

PR05 – Re-Assess Summer Food Program Operations

Responsible Party:	Target Completion:
Parks and Recreation Director	2020

2020	2021	2022	2023	2024
$15,0000	$15,000	$15,000	$15,000	$15,000

The Summer Food Service Program (SFSP) is a federally funded program operated nationally by the U.S. Department of Agriculture and administered in Pennsylvania by the Department of Education. The program offers children in low-income areas free meals enabling households to re-allocate limited funds and helping to insure that students return to school in the fall well-nourished and ready to learn. The program provider receives federal funds for providing meals. The Pottstown summer food program was outsourced to a third party manager in 2018. If run efficiently, this program has the potential to operate at a modest profit, as experienced in past years in the Borough. The Borough should consider resuming internal operation of the program to achieve a modest profit.

PR06 – Incorporate a Strategy to Promote the Borough's Cultural and Recreational Assets in the Overall Economic Development Plan

Responsible Party:	Target Completion:
Council, Borough Manager, PAID, Parks and Recreation Director	Ongoing

Community and economic development is a high-level priority for the Borough Administration as well as Borough Council. While a focus on attracting new businesses to replace lost industries and re-establish weakened tax bases is an important element of economic re-development strategies, many small communities have also achieved success by taking a "place-based" approach of identifying and creating a deliberate strategy to promote community assets. The Borough should incorporate a focus on quality of life that prioritizes efforts to promote and enhance the community parks, facilities and programming to establish the Borough as a comparatively desirable place to live.

13. Revised Financial Forecast

13.1 Introduction

This chapter presents the revised multi-year financial forecasts reflecting the cumulative budgetary impact of the recommendations described in the preceding chapters. The financial results reflecting these recommendations are presented through a projection of General Fund results and fund balance results for 2019 through 2024. Exhibit 13.1 revisits the baseline forecast assuming no corrective action is taken. The baseline forecasts show operating deficits and significantly worsening fund balance positions.

Exhibit 13.1 -Baseline General Fund Projection (No Corrective Action)

	2019 Budget	2020	2021	2022	2023	2024
Revenues	$13,252,000	$13,242,000	$13,341,000	$13,442,000	$13,545,000	$13,650,000
Expenses and Transfers	$13,252,000	$13,437,000	$13,780,000	$14,132,000	$14,495,000	$14,869,000
Surplus (Deficit)	$0	($195,000)	($439,000)	($690,000)	($950,000)	($1,219,000)
Beginning Fund Balance	$3,331,000	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000
Ending Fund Balance	$3,331,000	$3,136,000	$2,698,000	$2,008,000	$1,058,000	($160,000)

Exhibit 13.2 presents the operating results adjusted for the anticipated budgetary implications of the recommendations. Fully implemented, the Borough will achieve balanced budgets and gradually reach the capital funding levels outlined in its adopted fund balance policy. These projections assume the full implementation of the recommendations in this report, which leaves little room for error. Moreover, even if the Borough is able to achieve the revenue enhancements and expense reductions outlined in this report, it will still, in part, rely on real estate tax millage rate increases on Borough residents whose rates are already among the highest in Montgomery County.

Exhibit 13.2-General Fund Projection with Corrective Measures

	2019 Budget	2020	2021	2022	2023	2024
Revenues	$13,252,000	$13,307,000	$13,546,000	$13,717,000	$13,890,000	$14,080,000
Expenses	$13,252,000	$13,307,000	$13,470,000	$13,672,000	$13,885,000	$14,084,000
Surplus (Deficit)	$0	$0	$76,000	$45,000	$5,000	($4,000)
Transfers to Capital	$0	($100,000)	($125,000)	($150,000)	($175,000)	($250,000)
Beginning Fund Balance	$3,331,000	$3,331,000	$3,231,000	$3,182,000	$3,077,000	$2,907,000
Ending Fund Balance	$3,331,000	$3,231,000	$3,182,000	$3,077,000	$2,907,000	$2,653,000
Fund Bal as % of Exp	25%	24%	24%	23%	21%	19%

The Borough must monitor its financial position closely and update its multi-year financial projections on a regular basis. If deficits and budgetary imbalance are still present in two or three years after initial corrective steps, the Borough must consider further actions including reducing full-time staff and greater tax increases. Alternatively, if budget performance exceeds expectations, the Borough should forgo tax rate increases to alleviate pressure on the tax base.

While controlling expenses and avoiding overly burdensome tax rate increases is important to balancing budgets in the near-term, in the long-term the Borough must promote growth in its local economy and the expansion of its tax base. Reversing tax base contraction is an essential component of Pottstown's long-term viability. The Borough must build on recent economic development successes and leverage the new Opportunity Zone designated areas to attract new investment.

Achieving and maintaining structural budgetary balance will require a substantial commitment. Pottstown's elected officials and administrators must diligently monitor both the implementation of the plan's recommendations and their impact on the operating budget. Dedicated implementation of the plan coupled with a successful economic development plan will set the Borough on the path to fiscal stability.

13.2 Summary of Recommendations

Initiative		Responsible Party	Budgetary Impact					Target Completion
			2020	2021	2022	2023	2024	
WF01	Savings Targets for Borough-Wide Personnel Costs	Borough Manager	$130,000	$250,000	$400,000	$550,000	$725,000	Ongoing
WF02	Control Wage/Overtime Costs							
WF03	Control Healthcare Costs							
WF04	Control Retiree Healthcare Costs							
WF05	Control Other Employee Benefits Costs							
WF06	Seniority Issues							
WF07	Time and Payroll							
ADM01	Consider the Borough-Wide Tax and Fee Mix when Setting Rates	Borough Council, Borough Manager, Finance Director, Authority Board						Ongoing
ADM02	Limit Real Estate Tax Millage Rate Increases to One Percent	Borough Council, Borough Manager		$140,000	$210,000	$280,000	$360,000	Ongoing
ADM03	Develop and Implement a Formal Employee Performance Review Process and Schedule	HR Director						Fourth Quarter 2019
ADM04	Professional Development	HR Director, Borough Manager						Fourth Quarter 2019
ADM05	Offer A Competitive Benefits Package to Attract and Retain Talent	HR Director, Borough Manager						2020
ADM06	Regularly Adjust Fees to Reflect Increasing Cost of Service	Borough Manager	$10,000	$12,500	$15,000	$17,500	$20,000	Ongoing

Initiative		Responsible Party	Budgetary Impact					Target Completion
			2020	2021	2022	2023	2024	
FIN01	Develop a Multi-Year Capital Improvement Program	Finance Director						Fourth Quarter 2019
FIN02	Reestablish Regular Contributions to Capital Savings Fund	Borough Manager	($100,000)	($125,000)	($150,000)	($175,000)	($250,000)	Ongoing
FIN03	Prioritize General Fund Balance Amounts Above Established Fund Balance Policy for Capital Needs	Borough Manager, Finance Director						Ongoing
FIN04	Regularly Include Finance Director in Economic Development Matters	Borough Manager, Finance Director						Third Quarter 2019
FIN05	Revise Borough Tax Collector Duties	Borough Manager	$0	$0	$60,000	$60,000	$60,000	2021
FIN06	Consider Creative PILOT Arrangements with Non-Profit Institutions	Borough Manager	$10,000	$10,000	$10,000	$10,000	$10,000	Ongoing
FIN07	Optimize Investment Returns from Fund Balances	Finance Director	$25,000	$25,000	$25,000	$25,000	$25,000	Ongoing
PD01	Maintain Existing Staffing Levels	Police Chief						Ongoing
PD02	Reduce Liability Insurance Costs	Borough Manager						First Quarter 2020
PD03	Do Not Pursue Regionalization	Police Chief						N/A
PD04	Enhance Training	Police Chief						Third Quarter 2019
PD05	Support Professional Mentoring/Networking	Police Chief						Fourth Quarter 2019
PD06	Develop a Formal Program for Crime Analysis to Inform Staffing Levels	Police Chief						Fourth Quarter 2019
PD07	Implement a “CompStat” Type Program	Police Chief						First Quarter 2020
PD08	Implement an Employee Review Process	Police Chief, Human Resources Director						Third Quarter 2019

Initiative		Responsible Party	Budgetary Impact					Target Completion
			2020	2021	2022	2023	2024	
PD09	Evaluate Change from 12 Hour Shifts	Police Chief, Borough Manager						Fourth Quarter 2019
PD10	Formalize Officer Wellness Policy	Police Chief, Human Resources Director						Second Quarter 2020
PD11	Evaluate Fleet Inventory	Police Chief, Borough Manager						Third Quarter 2019
PD12	Convert Fleet to Hybrid Vehicles Over Time	Borough Manager, Police Chief						Ongoing
PD13	Take Action to Support Receipt/Disbursement of Donated Funds	Finance Director						First Quarter 2020
PD14	Expand Role of Non-Sworn Civilian Officers	Police Chief						Third Quarter 2019
PD15	Improve Public Relations	Borough Manager, Police Chief						First Quarter 2020
PUB01	Play Lead Role in Developing the Borough's Capital Improvement Plan	Public Works Director, Finance Director						Fourth Quarter 2019
PUB02	Modernize Fleet Management	Borough Manager, Public Works Director						First Quarter 2019
PUB03	Proactive Management of Stormwater Arches	Borough Manager						Fourth Quarter 2019
DEV01	Decrease Red Tape for Development	L&I Director						Fourth Quarter 2019
DEV02	Promote Development in Opportunity Zones	PAID, Borough Manager						Immediate
DEV03	Activate Downtown on Temporary Basis	L&I Director, Parks and Rec Director, and Borough Manager						Fourth Quarter 2020
DEV04	Blight Remediation	L&I Director, Borough Manager	($12,000)	$0	$0	$0	$0	First Quarter 2020

Initiative		Responsible Party	Budgetary Impact					Target Completion
			2020	2021	2022	2023	2024	
DEV05	Increase Licensing and Inspection Efforts	L&I Director, Borough Manager	$30,000	$30,000	$30,000	$30,000	$30,000	First Quarter 2020
AUTH01	Recruitment	Borough Manager						First Quarter 2020
AUTH02	Selling Water and Sewer System	Borough Council, Authority Board						Second Quarter 2019
AUTH03	Review the Terms of the Sewer Lease	Borough Manager, Finance Director, Borough Solicitor, Authority Solicitor						Second Quarter 2019
AUTH04	Consider Debt Financing as Part of Capital Improvement Plan	Authority Board, Finance Director						Ongoing
AUTH05	Consider the Borough-Wide Tax and Fee Mix when Setting Rates	Authority Board						Ongoing
AUTH06	Workforce	Borough Council, Borough Manager, Authority Board						Ongoing
FD01	Seek EIP Phase 2 Support for Consultant Assistance on Fire Service Regionalization or Merger	Borough Manager, Fire Chief	$0	($20,000)	$0	$85,000	$85,000	2023
FD02	Improve Volunteer Firefighter Recruitment and Retention Efforts	Fire Chief	$0	($10,000)	($10,000)	($10,000)	($10,000)	First Quarter 2020
FD03	Reconsider Adoption the Volunteer Firefighter Tax Credit	Fire Chief, Borough Council	$0	($5,000)	($5,000)	($5,000)	($5,000)	2020
FD04	Improve Fee Collection Efforts	Fire Chief, L&I Director	$15,000	$15,000	$15,000	$15,000	$15,000	First Quarter 2020
FD05	Reassess Fire Marshal Position for 2020	Borough Manager						Fourth Quarter 2020
FD06	Include Fire Department in Capital Expense Planning	Finance Director, Fire Chief						Fourth Quarter 2019

Initiative		Responsible Party	Budgetary Impact					Target Completion
			2020	2021	2022	2023	2024	
FD07	Explore use of the Commonwealth's Volunteer Loan Assistance Program (VLAP) to support Capital Needs in the Fire Department	Borough Manager	TBD	TBD	TBD	TBD	TBD	Fourth Quarter 2019
PR01	Consider Creative PILOT Arrangements with Non-Profit Institutions	Borough Manager, Parks and Recreation Director						Ongoing
PR02	Develop a Multi-Year Capital Improvement Program	Finance Director, Parks and Recreation Director						Fourth Quarter 2019
PR03	Initiate a Record-Keeping Process and Policy	Finance Director, Parks and Recreation Director						Fourth Quarter 2019
PR04	Seek Proposals to Lease Manatawny Green Miniature Golf Facility to a Private Operator	Borough Manager, Finance Director, Parks and Recreation Director						Fourth Quarter 2019
PR05	Re-Assess Summer Food Program Operations	Parks and Recreation Director	$15,000	$15,000	$15,000	$15,000	$15,000	2020
PR06	Incorporate a strategy to promote the Borough's cultural and recreational assets in the overall economic development plan	Council, Borough Manager, PAID, Parks and Recreation Director						Ongoing
Total General Fund Budgetary Impact			$93,000	$342,500	$600,000	$797,500	$980,000	
Total Authority Budgetary Impact			$0	$0	$0	$0	$0	
Total Fire Fund Budgetary Impact			$15,000	($20,000)	$0	$85,000	$85,000	
Total Parks and Recreation Fund Budgetary Impact			$15,000	$15,000	$15,000	$15,000	$15,000	

14. Borough Citizen and Employee Surveys

14.1 Overview

As part of its multi-year financial planning process, the Borough launched an effort to survey its community and employees on the priorities and perceptions of Pottstown's services. The purpose of the surveys was to measure opinion on the delivery of services including public safety, streets, parks and recreation, and licenses and inspections, among others, and to identify priorities for elected officials and the administrative staff.

The surveys were advertised in the local print media, the Borough's social media outlets, and at a public meeting held by the EIP consultant team. The survey was made available electronically online and in print in Borough Hall. All respondents completed the survey online and there were no printed surveys returned to Borough Hall. The survey was released on February 15 and closed on February 28. In total, the community survey received 517 responses (including 55 non-residents) and the employee survey received 31 responses.

14.2 Results Summary

The following is a summary of the survey results. The complete results are included as an Appendix to this report.

Community Survey

Respondent Profile

As noted above, the community survey received 517 responses of which 310 were women and 198 were men (nine preferred not to answer). Respondents ranged in age from under 18 years old to over 75. The most common respondent was between 35 and 44 years old. Slightly more than half of the respondents were between 35 and 54. Almost all of the respondents had at least a high school degree with 37 percent holding a Bachelor's or advanced degree. It appears that the median income of the respondents exceeded that of the general Pottstown population. According to U.S. Census data, the Borough's median household income is just over $45,000 while 67 percent of respondents reported annual household income over $50,000. Only 37 percent of the respondents worked in Pottstown while 59 percent have lived in the Borough for more than 10 years. Forty-three of the respondents own a business located in Pottstown.

Borough Service Opinion

Respondents rated the overall Borough services as Fair. In particular, respondents pointed to public works related services (streets maintenance, streets cleaning, and snow removal) as areas that need improvement.

Business services and permitting and licensing were also rated poorly with less than 15 percent of respondents characterizing these services as either Good or Excellent. Land use, planning, and zoning (which along with permit and licensing is important to economic development) was also rated relatively low with just over 70 percent of respondents rating the service as Fair or Poor.

Respondents did not have a favorable opinion of the Borough's recreation centers or facilities (52 percent Fair or Poor) and were nearly as dissatisfied with the Pottstown's recreational programs. Respondents were a little more positive about the quality of the Borough's parks with about 44 percent rating them as either Good or Excellent.

Respondents generally rated public safety services as strong. About 68 percent of respondents rated police services as Good or Excellent and 81 percent as Good or Excellent for fire services. More than half of respondents rated the level of police presence, police responsiveness, police approachability, and police conduct as either Good or Excellent. Just 33 percent rated the department's ability to prevent crime as either Good or Excellent.

Borough Authority services were also rated high relative to other Borough services with over 40 percent of respondents rating water and sewer services as Good or Excellent. Overall, a 40 percent Good or Excellent rating leaves room for improvement, but is still better than most other services.

Improvement Priority

The two clear areas that respondents felt needed improvement were streets/highway maintenance and economic development. Both of these categories received more responses noting a need for improvement than all other services combined.

Respondents were mixed on the best way to attract new business and support economic development, but improving the Borough's public image was the most popular response. Respondents also identified public safety and a competitive tax structure as priorities to encourage development.

Overall Borough Direction

The community survey respondents were overwhelmingly negative on the Borough's overall direction with 75 percent describing it as Stagnant or Declining (42 percent declining). Just 23 percent responded that the Borough direction is Progressing.

Employee Survey

Respondent Profile

To respect the Borough employees' anonymity and to encourage the most candid responses, respondents were not asked the same profile information as in the Community Survey. Just 31 of the Borough 132 employees responded to the survey.

Borough Service Opinion

Employees had a positive opinion of the performance of their Borough department or division, rating performance 8 out of 10 on average. When asked how performance in their department or division may be

improved, the most popular answer was Increased Staff (11 out of 31 respondents). The second most common response was Increased Compensation (6 responses).

Employee opinion of Borough services was higher than that of the community with employees giving a rating closer to Good than Fair. The opinion of the Police and Fire was very strong with over 80 percent rating these services either Good or Excellent.

Borough employee respondents had a better opinion on street maintenance services than the community with more than half rating them as Good or Excellent. However, similar to the community, the employees had an unfavorable opinion of street cleaning services (over two-thirds Fair or Poor).

The employees were more positive than the community in regards to the quality of parks, recreation programs, and recreation centers and facilities. However, overall, the recreation centers and facilities were not strongly rated with over one-third describing them as Fair or Poor.

Land use, planning, and zoning did not receive a high average score for performance; however, 12 of the 31 respondents did not rate these services at all.

Just six employees rated Licensing and Inspection services as either Good or Excellent with 17 rating them as Fair or Poor.

Like the community, employees had a negative opinion of the Borough's Business Services and Assistance with none rating them as Excellent and ten as Fair or Poor. Another nine were Unsure.

A little more than one-third of employee respondents rated Permitting and Licensing as Fair or Poor compared to just under one-third as Good or Excellent.

Similar to the community, the employees generally rated Borough Authority services highly with over 75 percent responding that the water and sewer service is Good or Excellent.

Improvement Priority

Similar to the community, employees thought the Borough should focus on improving economic development more so than any other department with 13 of the 31 respondents rating that area as the number one priority. The next most popular response was streets and highway maintenance.

Communication

More than half of the employee respondents rated the Borough's communication with its residents as Good and just one rated it Excellent. About one-third rated communication as either Fair or Poor with the remaining respondents Unsure.

Overall Borough Direction

The employees' opinion of the Borough's direction was generally negative, but more favorable than that of the community. About two-thirds of the respondents described the Borough's direction as Stagnant or Declining with one-third describing it as Progressing.

Appendix

Community and Employee Survey Responses

As part of its multi-year financial planning process, the Borough launched an effort to survey its community and employees on the priorities and perceptions of Pottstown's services. The purpose of the surveys were to measure opinion on the delivery of services including public safety, streets, parks and recreation, and licenses and inspections, among others, and to identify priorities for elected officials and the administrative staff.

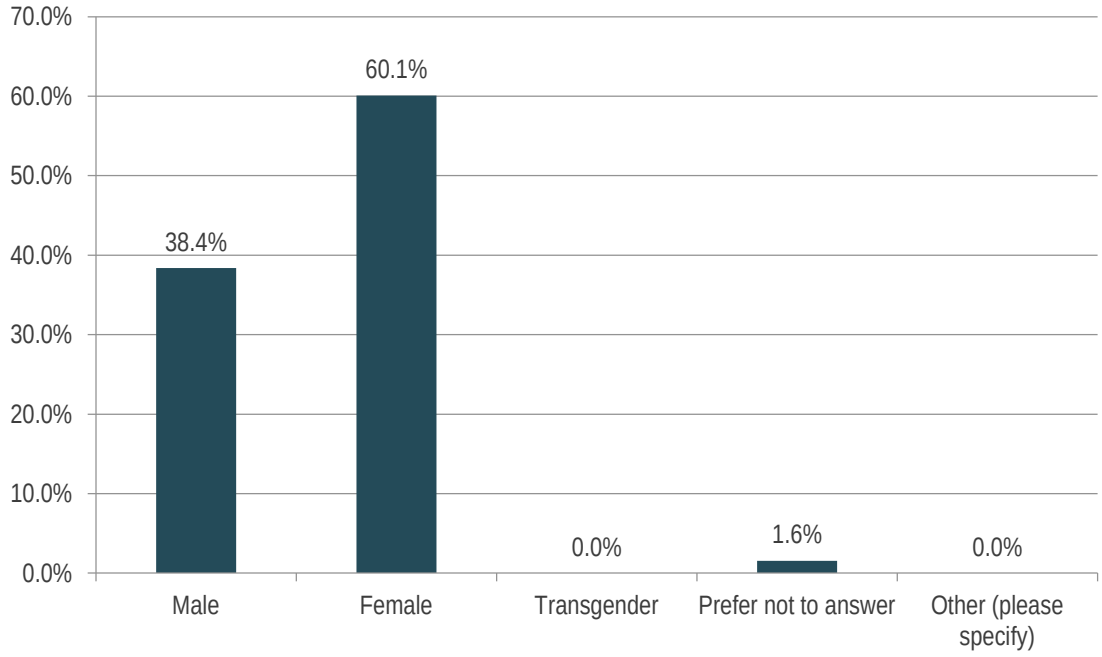
The surveys were advertised in the local print media, the Borough's social media outlets, and at a public meeting held by the EIP consultant team. The survey was made available electronically online and in print in Borough Hall. All respondents completed the survey online and there were no printed surveys returned to Borough Hall. The survey was released on February 15 and closed on February 28. In total, the community survey received 517 responses (including 55 non-residents) and the employee survey received 31 responses.

The following tables and figures show the breakdown of how each question in both surveys was answered.

Community Survey

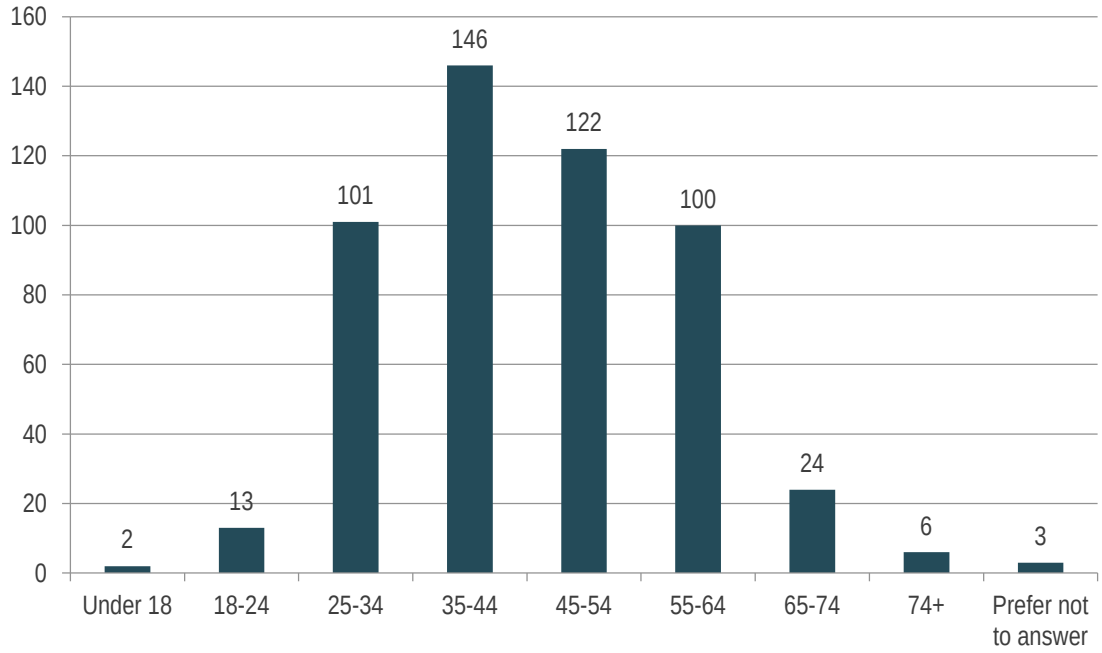
Question 1: Gender

Answer Choices	Responses	
Male	38.4%	198
Female	60.1%	310
Transgender	0.0%	0
Prefer not to answer	1.6%	8
Other (please specify)	0.0%	0
Total	100%	516


70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
38.4%
60.1%
0.0%
1.6%
0.0%
Male
Female
Transgender
Prefer not to answer
Other (please specify)

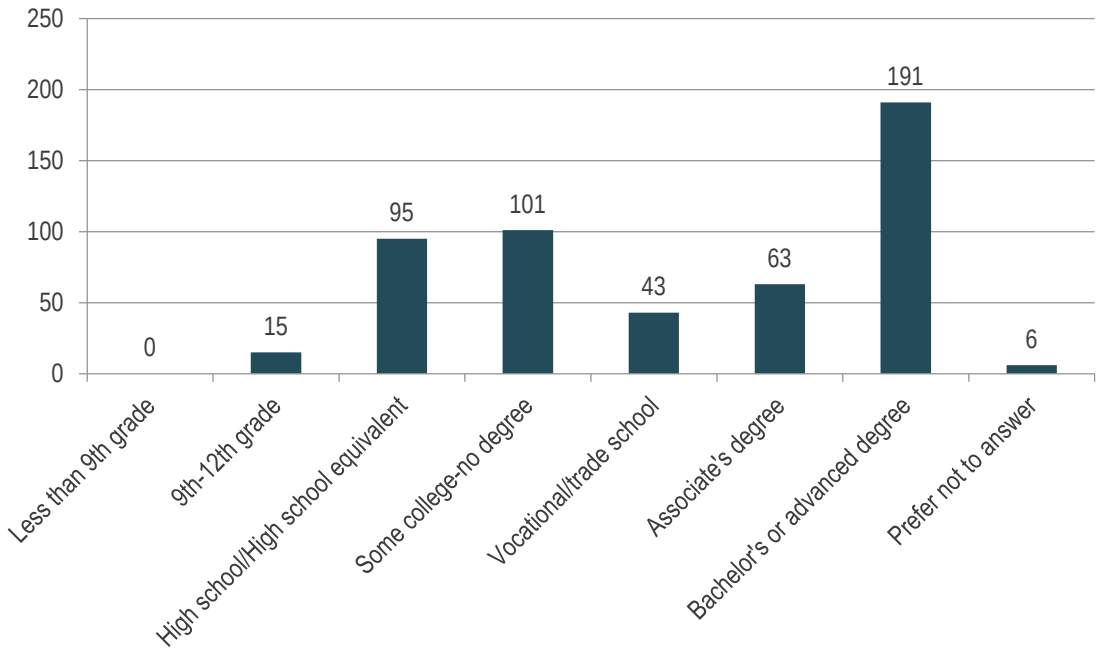
Question 2: Age

Answer Choices	Responses	
Under 18	0.4%	2
18-24	2.5%	13
25-34	19.5%	101
35-44	28.2%	146
45-54	23.6%	122
55-64	19.3%	100
65-74	4.6%	24
74+	1.2%	6
Prefer not to answer	0.6%	3
Total	100.0%	517



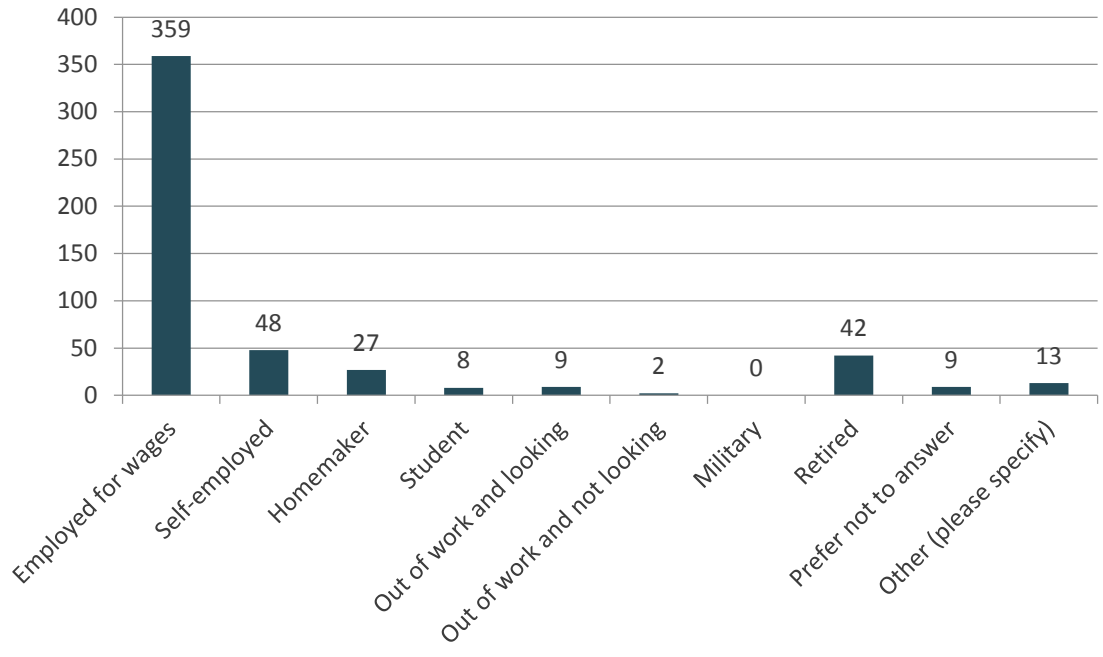
Question 3: Education Attainment

Answer Choices	Responses	
Less than 9th grade	0.0%	0
9th-12th grade	2.9%	15
High school/High school equivalent	18.5%	95
Some college-no degree	19.7%	101
Vocational/trade school	8.4%	43
Associate's degree	12.3%	63
Bachelor's or advanced degree	37.2%	191
Prefer not to answer	1.2%	6
Total	100.0%	514



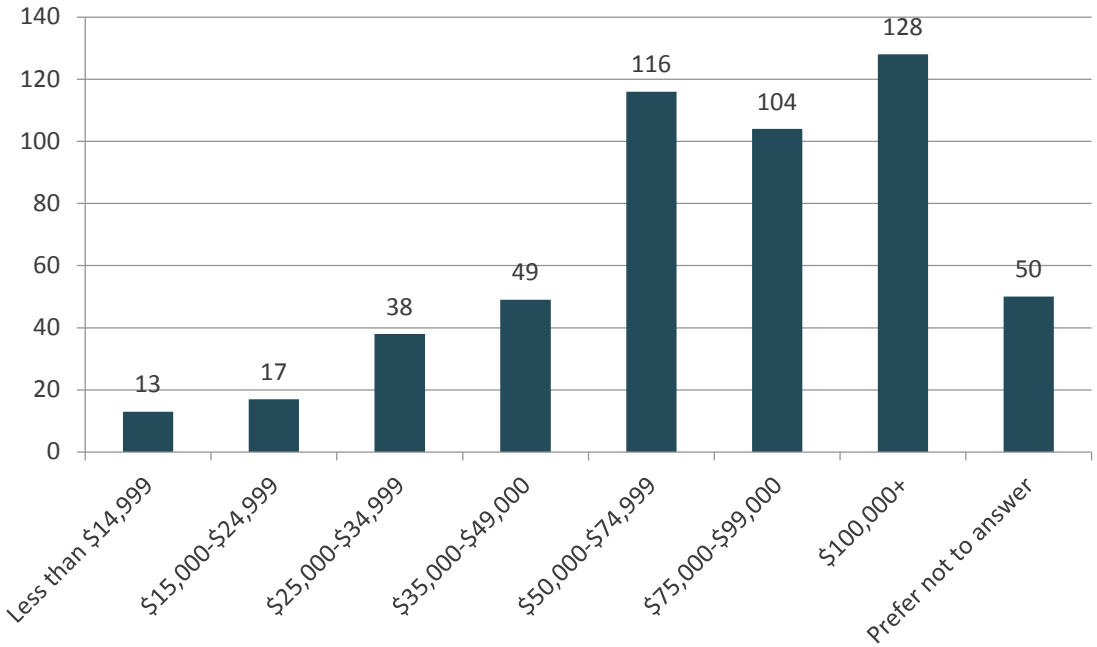
Question 4: Employment Status

Answer Choices	Responses	
Employed for wages	69.4%	359
Self-employed	9.3%	48
Homemaker	5.2%	27
Student	1.6%	8
Out of work and looking	1.7%	9
Out of work and not looking	0.4%	2
Military	0.0%	0
Retired	8.1%	42
Prefer not to answer	1.7%	9
Other (please specify)	2.5%	13
Total	100%	517



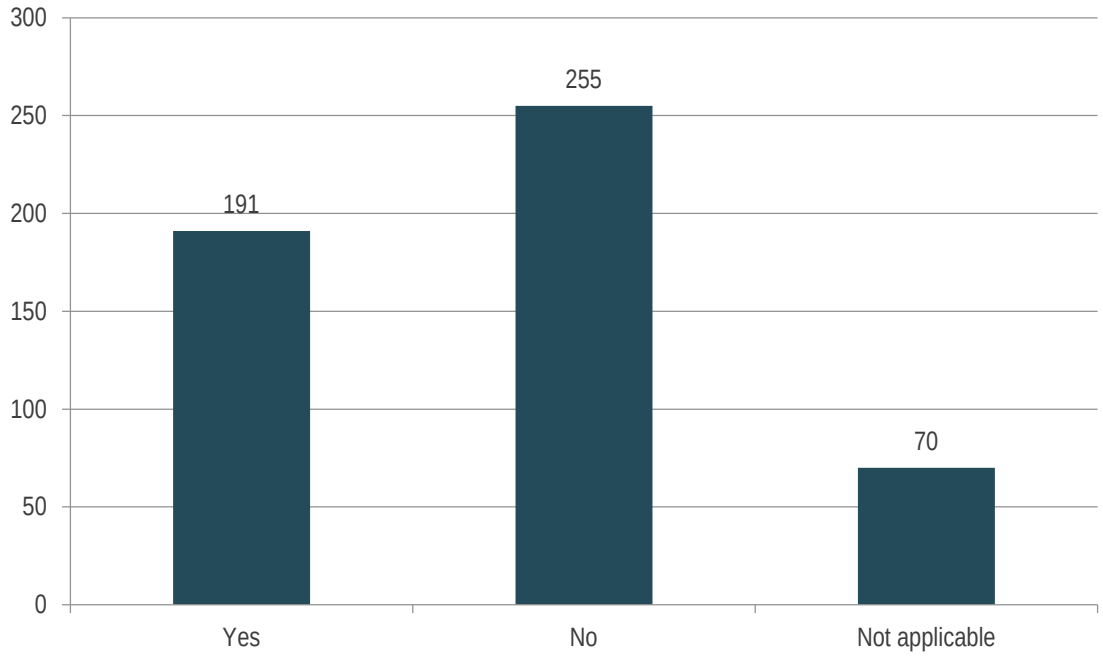
Question 5: Annual Household Income

Answer Choices	Responses	
Less than $14,999	2.5%	13
$15,000-$24,999	3.3%	17
$25,000-$34,999	7.4%	38
$35,000-$49,000	9.5%	49
$50,000-$74,999	22.5%	116
$75,000-$99,000	20.2%	104
$100,000+	24.9%	128
Prefer not to answer	9.7%	50
Total	100%	515



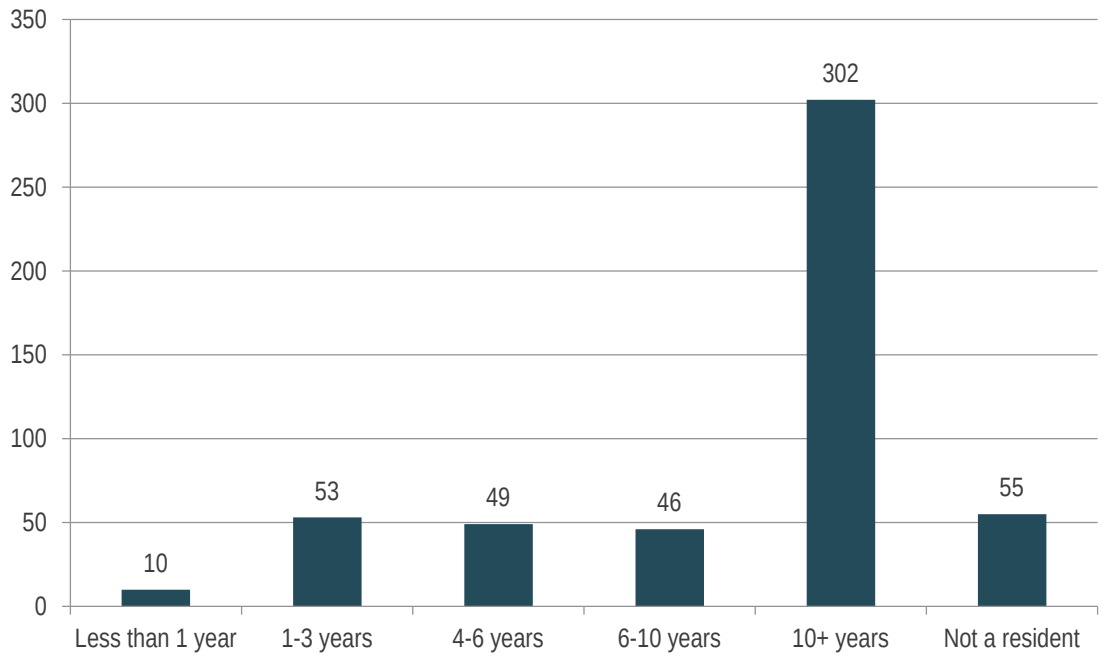
Question 6: Is your primary place of employment located in Pottstown?

Answer Choices	Responses	
Yes	37.0%	191
No	49.4%	255
Not applicable	13.6%	70
Total	100.0%	516



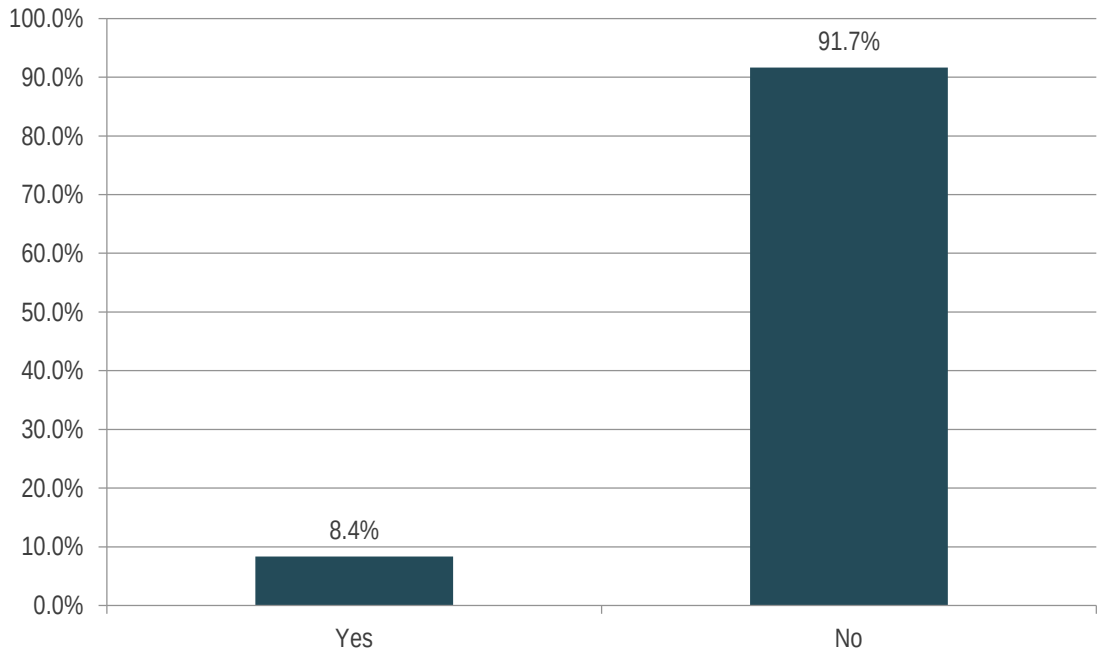
Question 7: How long have you been a resident of Pottstown?

Answer Choices	Responses	
Less than 1 year	1.9%	10
1-3 years	10.3%	53
4-6 years	9.5%	49
6-10 years	8.9%	46
10+ years	58.6%	302
Not a resident	10.7%	55
Total	100.0%	515



Question 8: Do you own a business located in Pottstown?

Answer Choices	Responses	
Yes	8.4%	43
No	91.7%	472
Total	100.0%	515

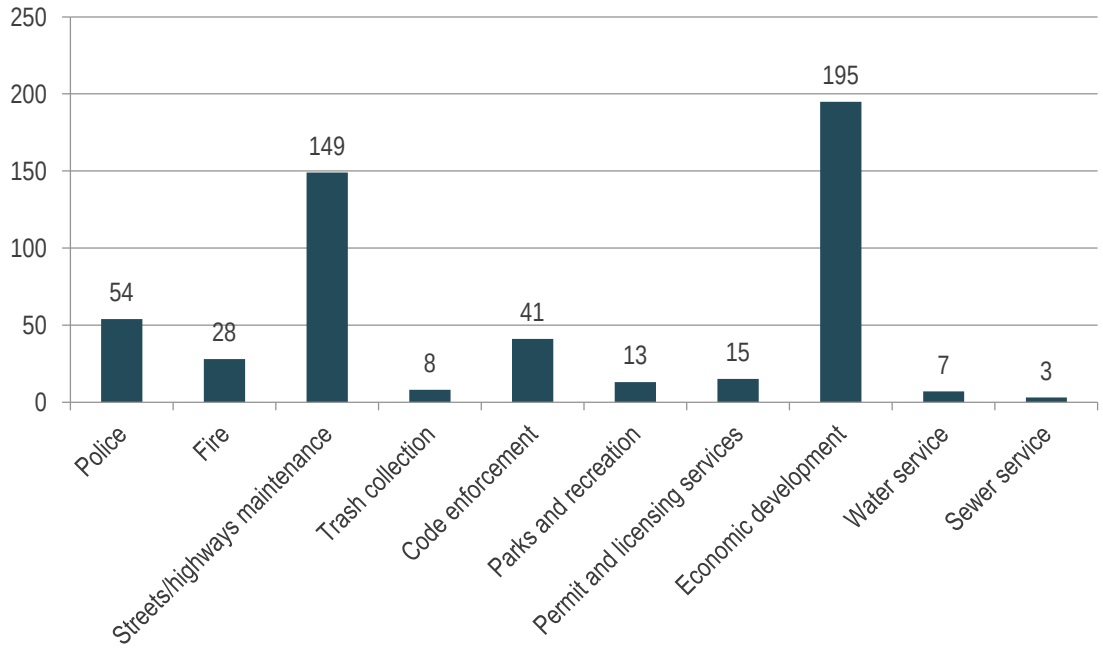


Question 9: Please rate each of the following services provided by the Borough of Pottstown

	Excellent		Good		Fair		Poor		Unsure		Total
	Percent Responded	Number Responded	Percent Responded	Number Responded	Percent Responded	Number Responded	Percent Responded	Number Responded	Percent Responded	Number Responded	
Police	22.1%	114	46.4%	240	20.1%	104	6.2%	32	5.2%	27	517
Fire	36.5%	187	45.0%	231	5.1%	26	2.9%	15	10.5%	54	513
Streets/highways maintenance	0.2%	1	8.9%	46	32.8%	169	57.3%	295	0.8%	4	515
Trash collection	7.4%	38	33.3%	172	37.3%	193	14.1%	73	7.9%	41	517
Street cleaning	1.0%	5	14.5%	75	32.5%	168	43.9%	227	8.1%	42	517
Street lighting	2.5%	13	28.4%	147	44.9%	232	23.0%	119	1.2%	6	517
Snow removal	1.4%	7	21.3%	110	34.5%	178	40.7%	210	2.1%	11	516
Quality of parks	7.2%	37	37.1%	192	34.0%	176	14.5%	75	7.2%	37	517
Recreation programs	5.1%	26	27.8%	143	28.7%	148	14.6%	75	23.9%	123	515
Recreation centers/facilities	1.8%	9	17.5%	90	31.8%	164	20.8%	107	28.2%	145	515
Land use, planning, and zoning	0.8%	4	6.2%	32	32.6%	168	41.0%	211	19.4%	100	515
Code enforcement	1.2%	6	11.9%	61	25.3%	130	46.1%	237	15.6%	80	514
Business services and assistance	1.0%	5	13.2%	68	28.6%	147	25.9%	133	31.3%	161	514
Permit and licensing services	0.8%	4	12.6%	65	23.8%	123	35.2%	182	27.7%	143	517
Water service	7.2%	37	36.1%	186	33.8%	174	15.2%	78	7.8%	40	515
Sewer service	7.6%	39	39.7%	204	31.1%	160	13.2%	68	8.4%	43	514
Overall service level	1.0%	5	26.1%	133	49.8%	254	19.6%	100	3.5%	18	510

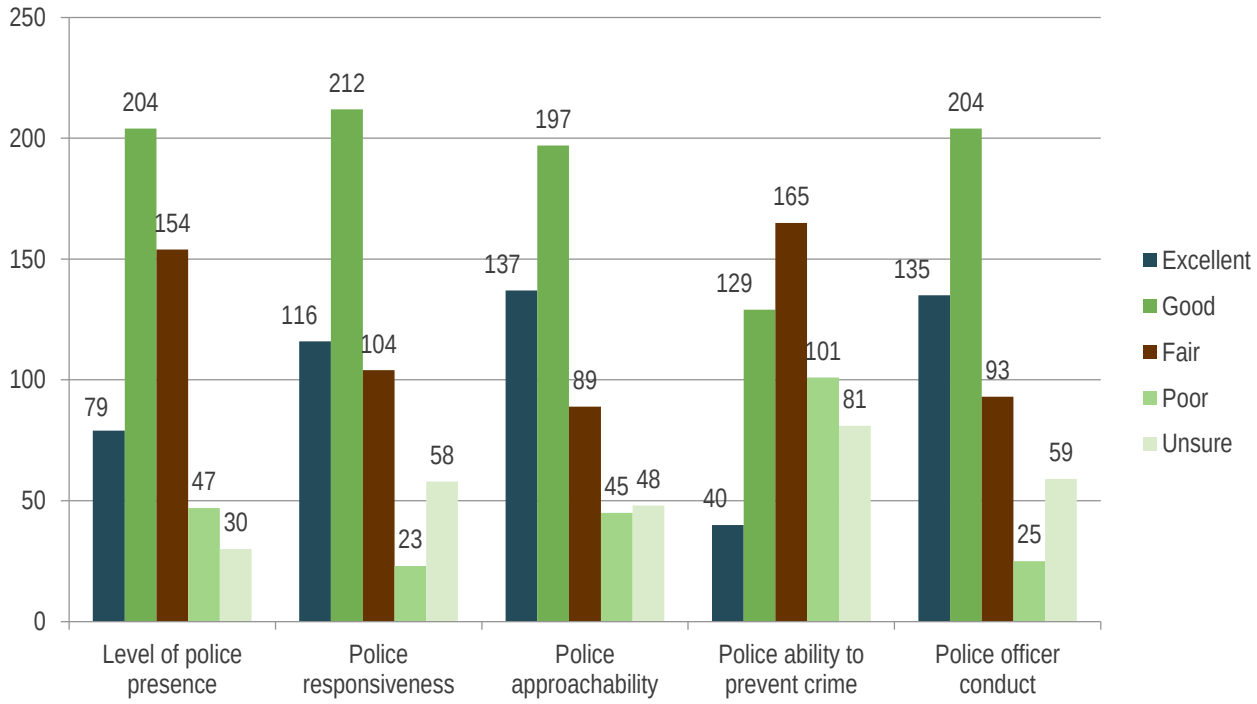
Question 10: Which service should the Borough focus most on improving?

Answer Choices	Responses	
Police	10.5%	54
Fire	5.5%	28
Streets/highways maintenance	29.0%	149
Trash collection	1.6%	8
Code enforcement	8.0%	41
Parks and recreation	2.5%	13
Permit and licensing services	2.9%	15
Economic development	38.0%	195
Water service	1.4%	7
Sewer service	0.6%	3
Total	100.0%	513



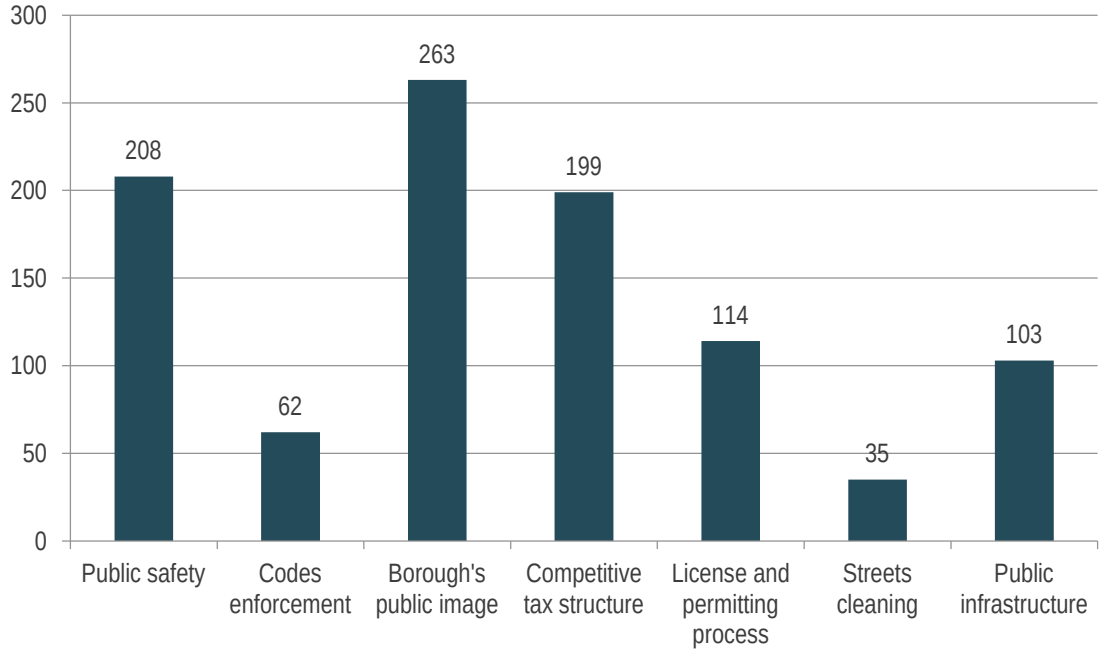
Question 11: How would you rate police service in your neighborhood?

	Excellent		Good		Fair		Poor		Unsure		Total
Level of police presence	15.4%	79	39.7%	204	30.0%	154	9.1%	47	5.8%	30	514
Police responsiveness	22.6%	116	41.3%	212	20.3%	104	4.5%	23	11.3%	58	513
Police approachability	26.6%	137	38.2%	197	17.3%	89	8.7%	45	9.3%	48	516
Police ability to prevent crime	7.8%	40	25.0%	129	32.0%	165	19.6%	101	15.7%	81	516
Police officer conduct	26.2%	135	39.5%	204	18.0%	93	4.8%	25	11.4%	59	516



Question 12: Please identify the top two priorities the Borough should focus on to help attract new businesses

Answer Choices	Responses	
Public safety	40.4%	208
Codes enforcement	12.0%	62
Borough's public image	51.1%	263
Competitive tax structure	38.6%	199
License and permitting process	22.1%	114
Streets cleaning	6.8%	35
Public infrastructure	20.0%	103

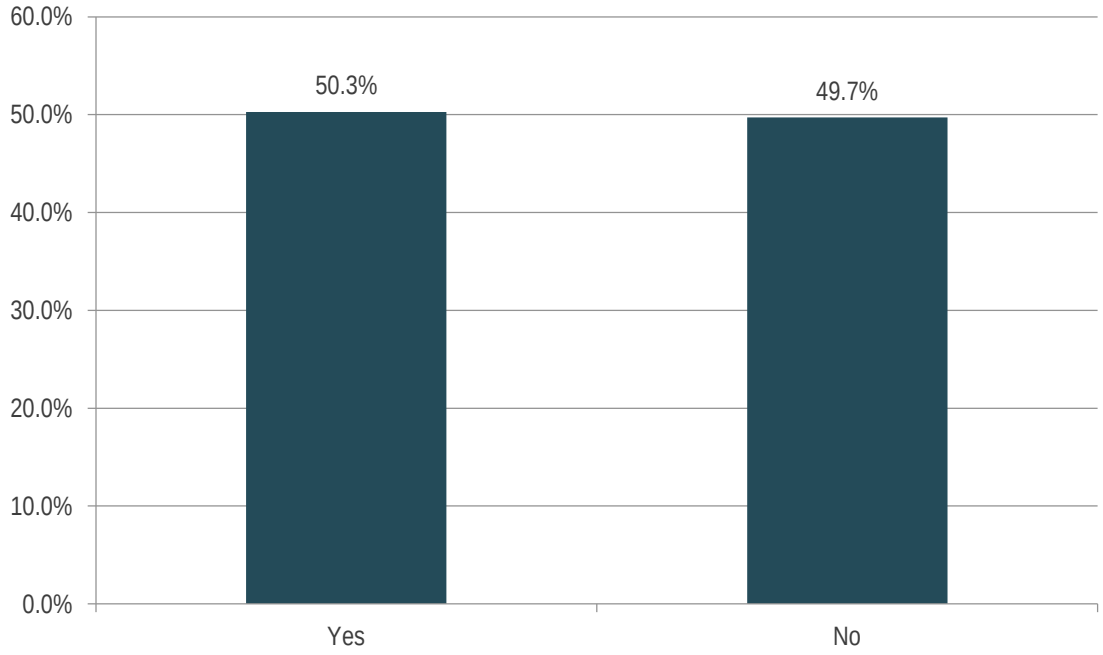


Question 13: Code violations such as graffiti, litter, dilapidated/abandoned buildings, and poorly maintained owner and renter occupied properties result in neighborhood blight. On a scale of 1-10, with 10 representing a serious issue, rate the level of blight in Pottstown.

Rating	Count
1	7
2	10
3	18
4	34
5	65
6	38
7	71
8	112
9	43
10	114
Average Rating	7.15

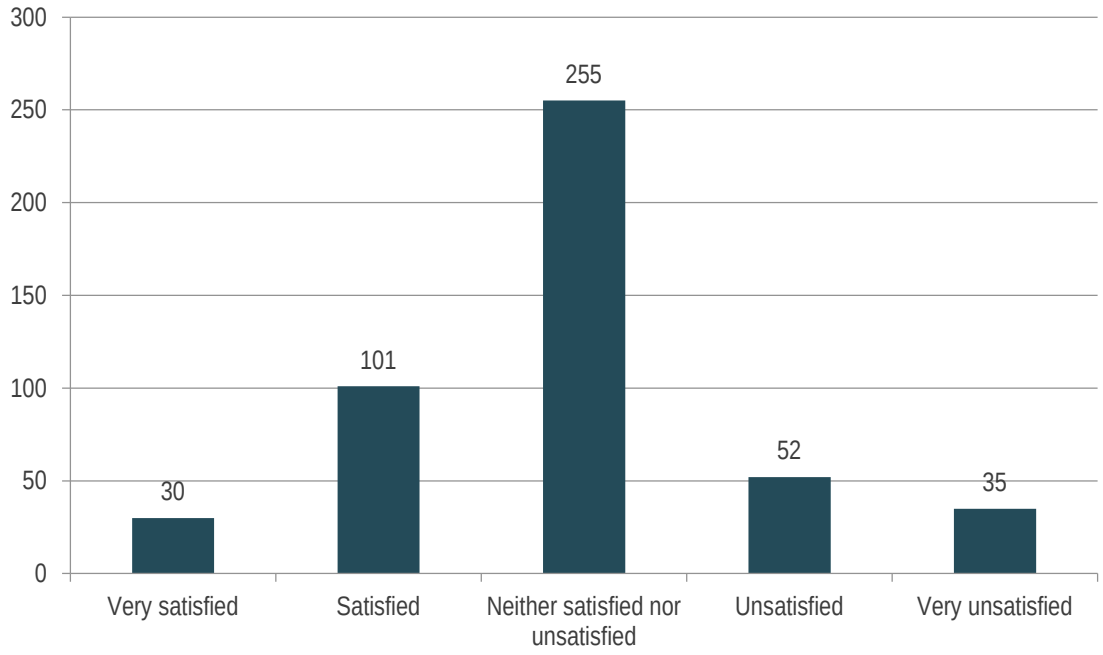
Question 14: In the last 12 months, have you contacted the Borough (in person, by phone, or online) for help or information?

Answer Choices	Responses	
Yes	50.3%	260
No	49.7%	257
Total	100.0%	517



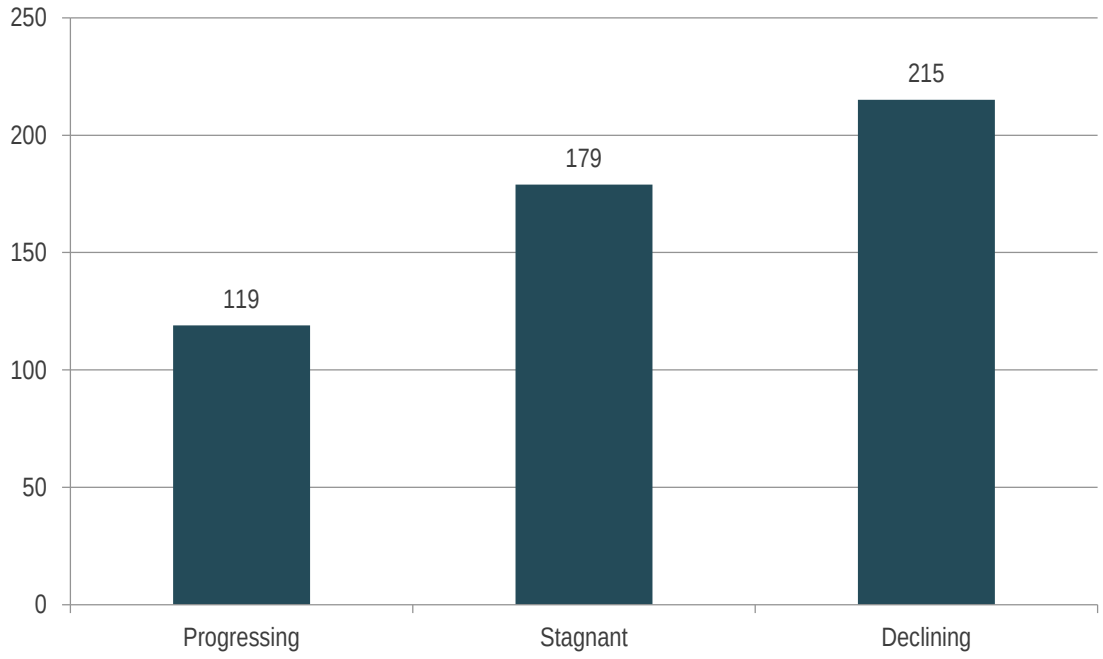
Question 15: Were you satisfied with your experience?

Answer Choices	Responses	
Very satisfied	6.3%	30
Satisfied	21.4%	101
Neither satisfied nor unsatisfied	53.9%	255
Unsatisfied	11.0%	52
Very unsatisfied	7.4%	35
Total	100.0%	473



Question 16: Overall, how would you describe the direction the Borough is heading?

Answer Choices	Responses	
Progressing	23.2%	119
Stagnant	34.9%	179
Declining	41.9%	215
Total	100.0%	513

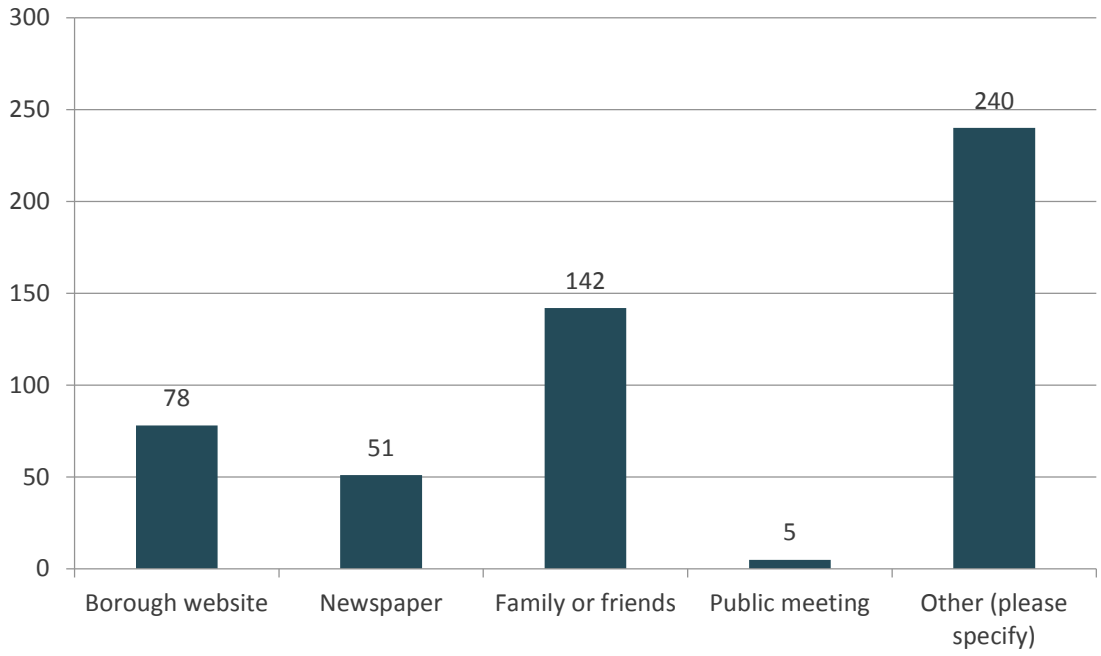


Question 17: Please provide any additional feedback regarding the Borough of Pottstown services

See summary below.

Question 18: How did you hear about the survey?

Nearly 215 respondents who choose "Other" specified hearing about the survey through Facebook or some other form of social media. The remaining 25 response mentioned hearing the survey through other places on the internet including Google and email.



Employee Survey

Question 1: What is the greatest strength of your department or division?

This question was open ended, with 30 of the 31 survey respondents answering. Responses to this question included knowledgeable and experienced employees, teamwork, and the ability to accomplish tasks with few staff or funding.

Question 2: Overall, on a scale of 1 to 10, rate the performance of your department or division, with 10 representing excellent performance.

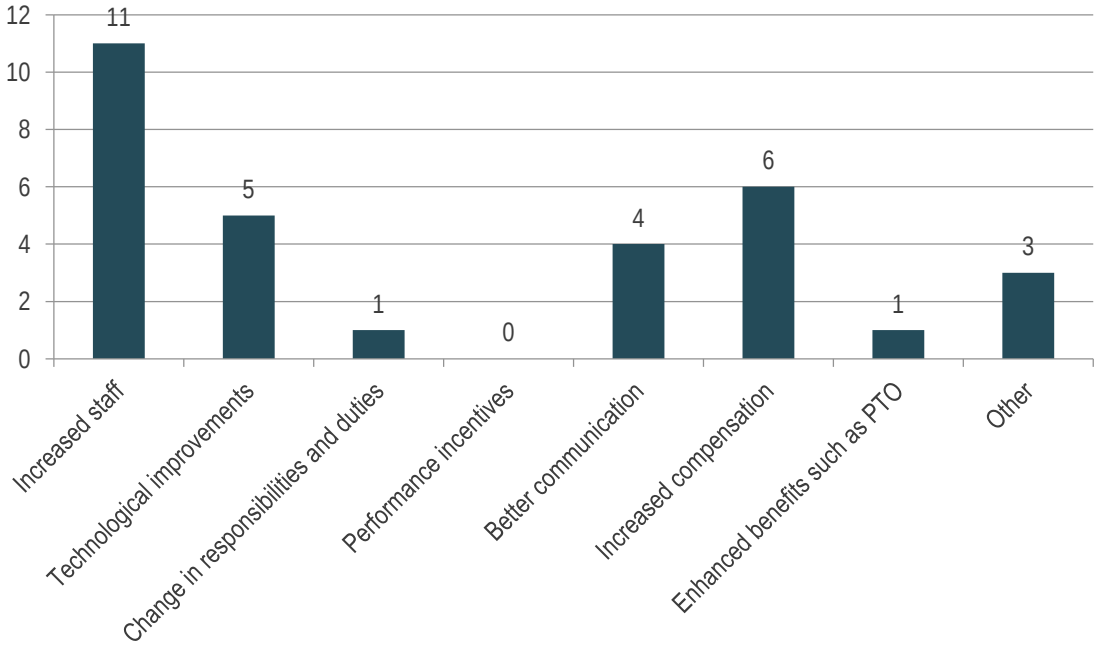
Rating	Count
1	0
2	0
3	0
4	0
5	1
6	3
7	5
8	12
9	7
10	3
Average Rating	7.97

Question 3: What is this greatest challenge impacting the performance of your department or division?

This question was open ended, all of the survey respondents answering. Responses included a lack of experience and training, being underfunded, and a lack of communication between departments.

Question 4: If there were no budgetary limitations, which change would most improve the performance of your department or division?

Answer Choices	Responses	
Increased staff	35.5%	11
Technological improvements	16.1%	5
Change in responsibilities and duties	3.2%	1
Performance incentives	0.0%	0
Better communication	12.9%	4
Increased compensation	19.4%	6
Enhanced benefits such as PTO	3.2%	1
Other	9.7%	3
Total	100.0%	31

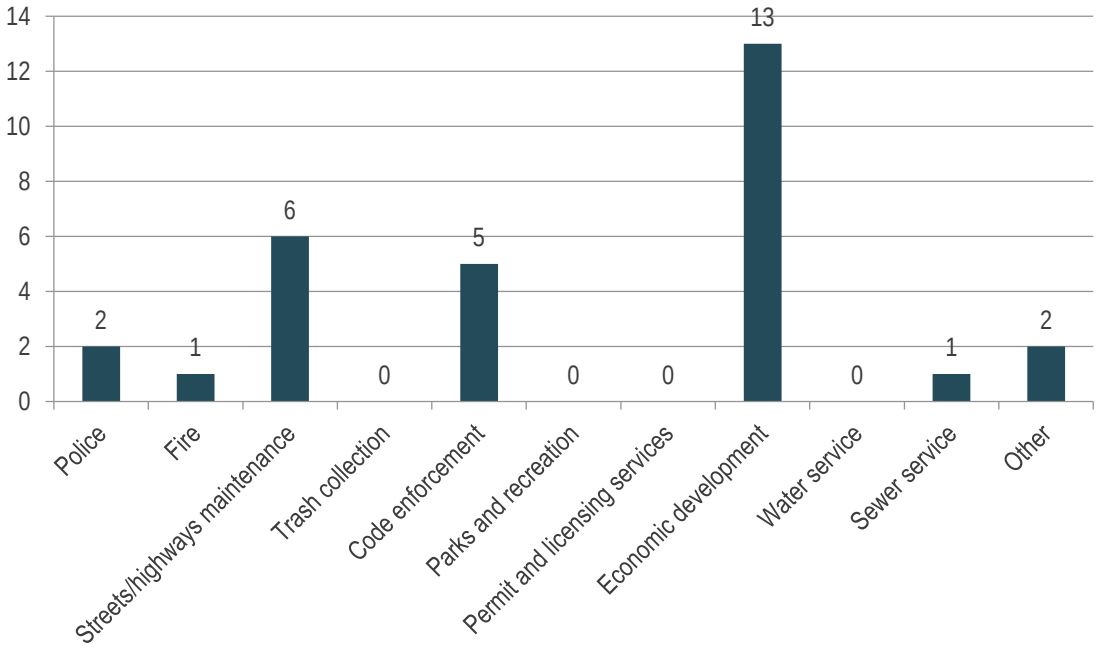


Question 5: The Borough of Pottstown provides a variety of critical services to Pottstown residents and neighboring communities. Please rate the services provided by the Borough.

	Excellent		Good		Fair		Poor		Unsure		Total
	Percent Responded	Number of Responses	Percent Responded	Number of Responses	Percent Responded	Number of Responses	Percent Responded	Number of Responses	Percent Responded	Number of Responses	
Police	36.7%	11	46.7%	14	6.7%	2	6.7%	2	3.3%	1	30
Fire	26.7%	8	56.7%	17	3.3%	1	3.3%	1	10.0%	3	30
Streets/highways maintenance	10.0%	3	43.3%	13	30.0%	9	13.3%	4	3.3%	1	30
Trash collection	6.7%	2	33.3%	10	30.0%	9	6.7%	2	23.3%	7	30
Street cleaning	3.3%	1	10.0%	3	26.7%	8	43.3%	13	16.7%	5	30
Street lighting	13.3%	4	40.0%	12	36.7%	11	3.3%	1	6.7%	2	30
Snow removal	13.8%	4	24.1%	7	48.3%	14	6.9%	2	6.9%	2	29
Quality of parks	20.0%	6	36.7%	11	26.7%	8	0.0%	0	16.7%	5	30
Recreation programs	13.3%	4	46.7%	14	20.0%	6	0.0%	0	20.0%	6	30
Recreation centers/facilities	13.3%	4	20.0%	6	26.7%	8	13.3%	4	26.7%	8	30
Land use, planning, and zoning	3.3%	1	23.3%	7	20.0%	6	13.3%	4	40.0%	12	30
Code enforcement	3.3%	1	16.7%	5	30.0%	9	26.7%	8	23.3%	7	30
Business services and assistance	0.0%	0	34.5%	10	27.6%	8	6.9%	2	31.0%	9	29
Permit and licensing services	6.7%	2	23.3%	7	26.7%	8	16.7%	5	26.7%	8	30
Water service	16.7%	5	60.0%	18	10.0%	3	0.0%	0	13.3%	4	30
Sewer service	23.3%	7	53.3%	16	10.0%	3	0.0%	0	13.3%	4	30

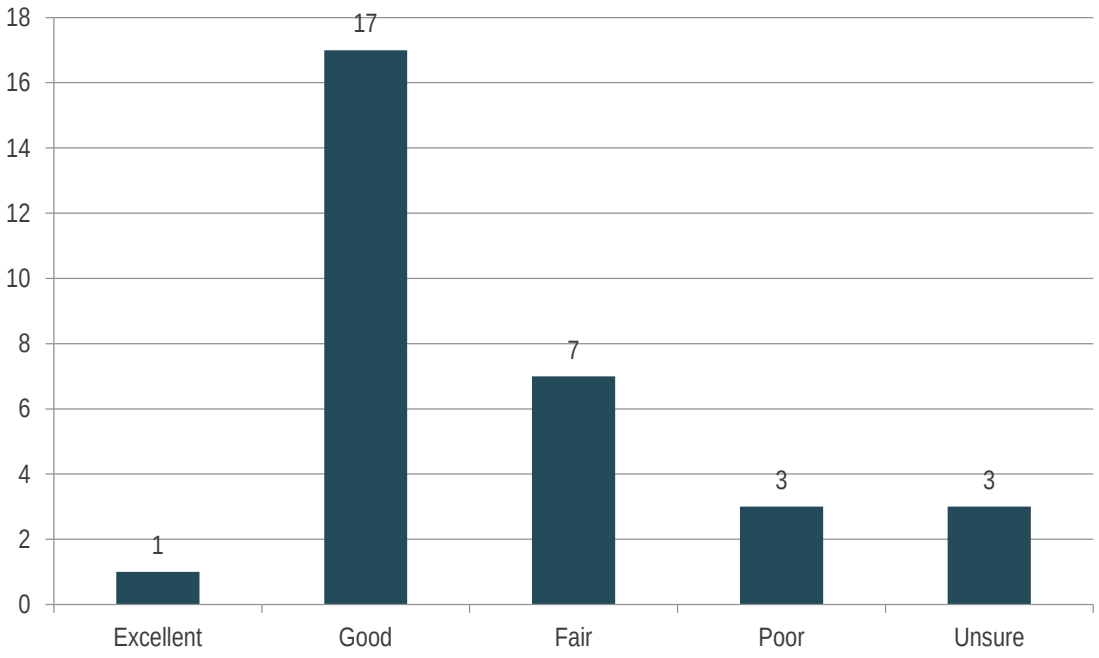
Question 6: Which service should the Borough focus most on improving?

Answer Choices	Responses	
Police	6.7%	2
Fire	33.%	1
Streets/highways maintenance	20.0%	6
Trash collection	0%	0
Code enforcement	16.7%	5
Parks and recreation	0%	0
Permit and licensing services	0%	0
Economic development	43.3%	13
Water service	0%	0
Sewer service	3.3%	1
Other	6.7%	2
Total	100%	30



Question 7: Municipalities are responsible for effectively communicating upcoming events, news, financial information, service changes, tax millage changes, and other relevant information with residents. Please rate the Borough's communication with residents.

Answer Choices	Responses	
Excellent	3%	1
Good	55%	17
Fair	23%	7
Poor	10%	3
Unsure	10%	3
Total	100%	31

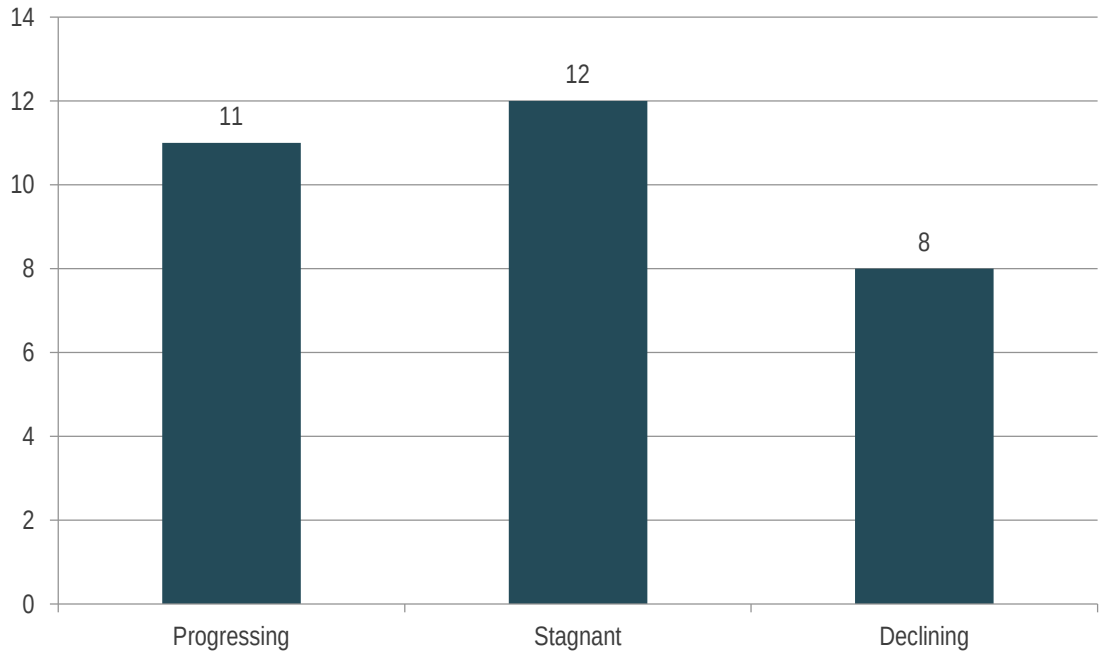


Question 8: The Early Intervention Program plan will identify a series of recommendations to help improve the financial stability and operational efficiency of the Borough. What changes would you recommend to improve the Borough?

This question was open ended, with 29 out of the 31 survey respondents answering. Responses to this question included reduce the size of management, improve employee morale, and limit the number of rentals or apartments in the Borough.

Question 9: Overall, how would you describe the direction the Borough is heading?

Answer Choices	Responses	
Progressing	35.5%	11
Stagnant	38.7%	12
Declining	25.8%	8
Total	100%	31



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