

Lemoyne Borough

Strategic Management Planning Program



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CHAPTER 1 INTRODUCTION

In 2019, the Pennsylvania Economy League, Central PA Division (PEL), undertook an analysis of the financial condition of Lemoyne Borough under the Commonwealth's Early Intervention Program. The goals of the analysis were to determine the Borough's current and future overall financial condition and to provide a guide for fiscal planning.

The current analysis involved a review of the Borough's financial reports; independent audits; debt payment schedules; pension obligations; the 2019 budget; other fiscal data; and other relevant information and factors that may affect the current and future financial condition of the Borough, including socio-demographic data. In addition, PEL staff participated in discussions with Borough officials.

PEL acknowledges and appreciates the full cooperation of all who contributed in the preparation of this study including the Lemoyne Borough Council, the Borough Manager and the various Borough department heads. This analysis could not have been successfully completed without this assistance.

In the course of this project PEL:

- Analyzed the Borough's financial history from 2014 through 2018 focusing on such factors as revenues, expenditures, tax base, operating positions, and debt structure.
- Examined the historical data and the 2019 budget in relation to ongoing operations, other salary and benefit requirements, and other obligations of the Borough.
- Reviewed all tax bases and revenues, major user fees, and other revenue sources.
- Projected, to the extent possible based on known factors and available data, revenues and expenditures for 2019 through 2023 assuming continuation of obligated levels of wages and operations, existing revenue patterns, and other operating trends.
- Performed an operational/management review of the Borough's various departments, as well as reviews of labor and sewer. Note: a review of police services was outside of the scope of this study.
- Developed recommendations for all areas reviewed.

CHAPTER 2 GOVERNMENT STRUCTURE AND DEMOGRAPHICS

Introduction

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

Municipal governments in Pennsylvania are the principal providers of direct public services to citizens. Services often include, among others, police and fire protection; construction and maintenance of roadways and bridges; street lighting; parks and recreation facilities and programs; planning and zoning activities; enforcement of building and related codes; water treatment and distribution; sewage collection and treatment; storm water management; solid waste collection and disposal; recycling; and related services.

Location and Government Structure

Formerly known as Bridgeport (1835) then as Riverton (1888), Lemoyne Borough was incorporated on May 23, 1905. The Borough is west of Harrisburg just across the Susquehanna River in Cumberland County. The Borough is approximately 1.6 square miles. Adjacent communities include the boroughs of Wormleysburg, Camp Hill, New Cumberland and Lower Allen Township.

Lemoyne operates under Pennsylvania's Borough Code. The form of government established by the code is characterized by a strong and dominant council and a weak executive (in terms of duties, responsibilities, and powers). The Lemoyne Borough Council is comprised of seven at-large members that are elected to four-year terms. The powers of council set forth in the Borough Code are broad and extensive covering virtually the whole range of municipal functions. The general supervision of borough affairs is in the hands of council, and many of the roles found in separate branches or levels of the state and federal governments are combined in the council members. Council serves as the legislative body by setting policy, enacting ordinances and resolutions, adopting budgets, and levying taxes. Council may also perform executive functions, such as: developing the budget, enforcing ordinances, approving expenditures, and hiring employees. While council may also play a large role in administrative

activities by overseeing the day-to-day operation of a borough government, that function is handled by an appointed Borough manager who is also Borough Council secretary-treasurer.

The position of mayor is granted few statutory powers by the Borough Code. The mayor has no vote on council except to break ties; however, the mayor does have some veto power. The Lemoyne mayor serves as the Borough's liaison to the West Shore Regional Police Commission.

Overview of Government Services, Staffing, Taxes, and Fees

Finance is overseen by an assistant borough treasurer and an office clerk. Borough offices also include a code enforcement officer.

The Borough provides direct police protection to its residents through the West Shore Regional Police Commission, which is a regional department that also includes Wormleysburg. A review of the regional police department was outside the scope of this report. Fire protection and emergency medical services are provided by the West Shore Bureau of Fire.

The five-member Maintenance Department oversees roads and streets, parks and Borough buildings. The Borough has eight parks that include playground equipment, basketball and tennis courts, pavilions, picnic tables and more. Memorial Park has a swimming pool. The Borough also operates the sewer treatment plant with five employees including a superintendent.

In 2019, Lemoyne Borough real estate taxes were 3.13 mills, with 2.65 mills for general purpose and 0.48 mills for fire equipment and fire houses. The resident earned income tax is 1.45 percent, with the West Shore School District receiving 0.95. Other taxes include local services tax, \$52; and realty transfer tax, 0.5 percent.

Demographic Patterns

Introduction

Lemoyne's demographic patterns show mostly flat growth, a steady working age population of over 60 percent of the total population, and an owner-occupied population that accounts for roughly half of all housing units. Population trends since 1990 have been more influenced by natural growth than migration. In terms of income measurements, the Borough's median housing value, per capita income and median income were all below the state and Cumberland County figures in 2010. Actual U.S. Census figures are used for consistency wherever possible.

Population

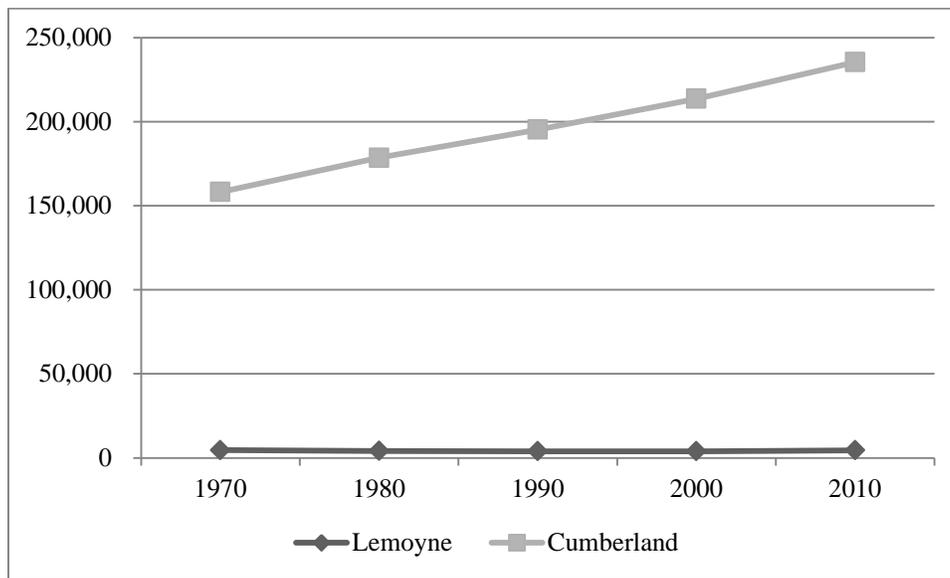
Lemoyne’s population remained fairly flat from 1970 to 2010, according to U.S. Census data, dipping slightly from a high of 4,625 in 1970 to a low of 3,959 in 1990 and then rising to 4,553 in 2010. The largest decrease was from 1970 to 1980 when the Borough’s population fell by 447 residents. In contrast, Cumberland County steadily gained population during that time period, rising by 48.8 percent. (See Table 2-1 and Graph 2-1.)

Table 2-1
LEMOYNE BOROUGH
Population Trend
1970 to 2010

	1970	1980	1990	2000	2010	Change 1970 to 2010	
						#	%
Lemoyne	4,625	4,178	3,959	3,995	4,553	-72	-1.6
Cumberland	158,177	178,541	195,257	213,674	235,406	77,229	48.8

Source: U.S. Census Data

Graph 2-1
LEMOYNE BOROUGH
Population Trend
1970 to 2010



Source: U.S. Census Data

Births, Deaths, and Population Change

The Borough experienced natural population growth from 1990 to 2016 of 486, with the most natural growth (194) from 1990 to 1999. Actual population change was greater than the

natural change, indicating in-migration of 199 from 1990 to 2016. The largest amount of net in-migration (429) occurred from 2000 to 2009. This suggests that actual population growth during that time period was the result of both natural changes (more births than deaths) and people moving into the Borough. (See Table 2-2)

Table 2-2
LEMOYNE BOROUGH
Population Trend
1990 to 2016

	1990 to 1999	2000 to 2009	2010 to 2016	1990 to 2016
Births	551	497	466	1,514
Deaths	<u>357</u>	<u>368</u>	<u>303</u>	<u>1,028</u>
Natural Pop. Change	194	129	163	486
Total Population (start)	3,959	3,995	4,553	3,959
Total Population (end)	<u>3,995</u>	<u>4,553</u>	<u>4,644</u>	<u>4,644</u>
Total Population Change	36	558	91	685
Less Natural Change	194	129	163	486
Net Migration	-158	429	-72	199

Source: U.S. Census Data and American Community Survey

Population by Age Group

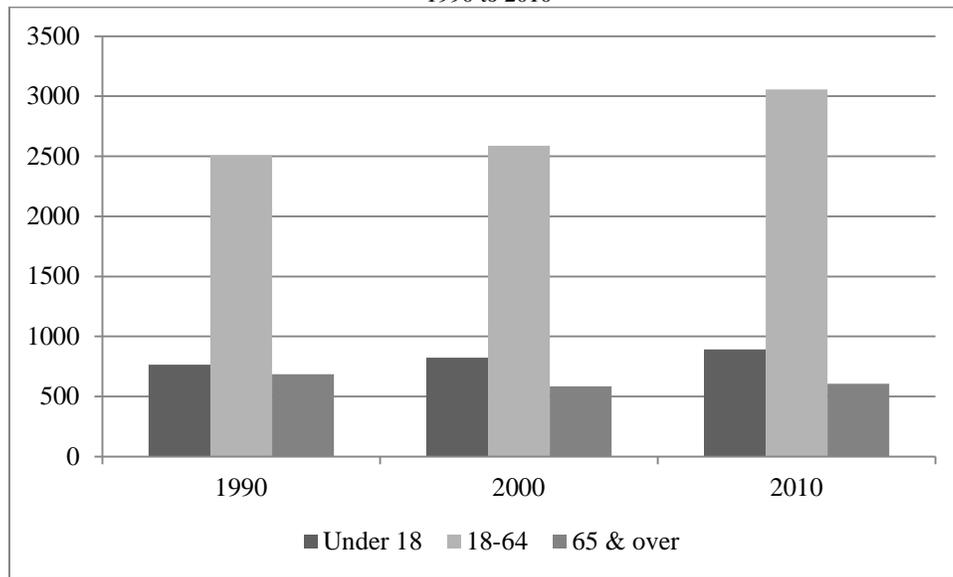
The Borough’s population in the under 18 age group increased by 128 or 16.8 percent between 1990 and 2010; the number of residents age 18 to 64 grew by 547 or 21.8 percent; and those 65 or over fell by 81 or 11.8 percent. In 2010, 19.6 percent of the population in the Borough was under 18 years of age; 67.1 percent was between the ages of 18 and 64; and 13.3 percent was age 65 or over. From 1990 to 2010, the 18 to 64 age population rose from 63.4 percent of total population to 67.1 percent, while the number 65 and over fell from 17.3 percent to 13.3 percent. (See Table 2-3 and Graph 2-2.)

Table 2-3
LEMOYNE BOROUGH
Population by Age
1990 to 2010

	1990		2000		2010		Change 1990 -2010	
	#	%	#	%	#	%	#	%
Under 18	764	19.3	824	20.6	892	19.6	128	16.8
18-64	2,509	63.4	2,587	64.8	3,056	67.1	547	21.8
65 & over	686	17.3	584	14.6	605	13.3	-81	-11.8
Total Population	3,959	100.0	3,995	100.0	4,553	100.0	594	15.0

Source: U.S. Census Data

Graph 2-2
LEMOYNE BOROUGH
Population by Age
1990 to 2010



Source: U.S. Census Data

Housing Units

The total number of housing units in the Borough has grown since 1990, increasing by 410 units or 21 percent. Owner-occupied units rose by 102 or 9.6 percent, while renter-occupied units increased by 187 or 23.1 percent. The largest proportional growth was in vacant units at 147.6 percent, but vacant units represent only 8.6 percent of the total. Owner-occupied units fell slightly from approximately 55 percent of the total to approximately 49 percent of the total, and rental-units were just over 40 percent of the total. (See Table 2-4.)

Table 2-4
 LEMOYNE BOROUGH
Total Housing Units
Owner, Renter and Vacant Housing
 1990 to 2010

	1990		2000		2010		Change 1990-2010	
	#	%	#	%	#	%	#	%
Owner Occupied	1,060	54.3	1,105	54.5	1,162	49.2	102	9.6
Renter Occupied	811	41.5	821	40.5	998	42.2	187	23.1
Total Occupied	1,871	95.8	1,926	95.0	2,160	91.4	289	15.4
Vacant	82	4.2	101	5.0	203	8.6	121	147.6
Total Units	1,953	100.0	2,027	100.0	2,363	100.0	410	21.0

Source: U.S. Census Data

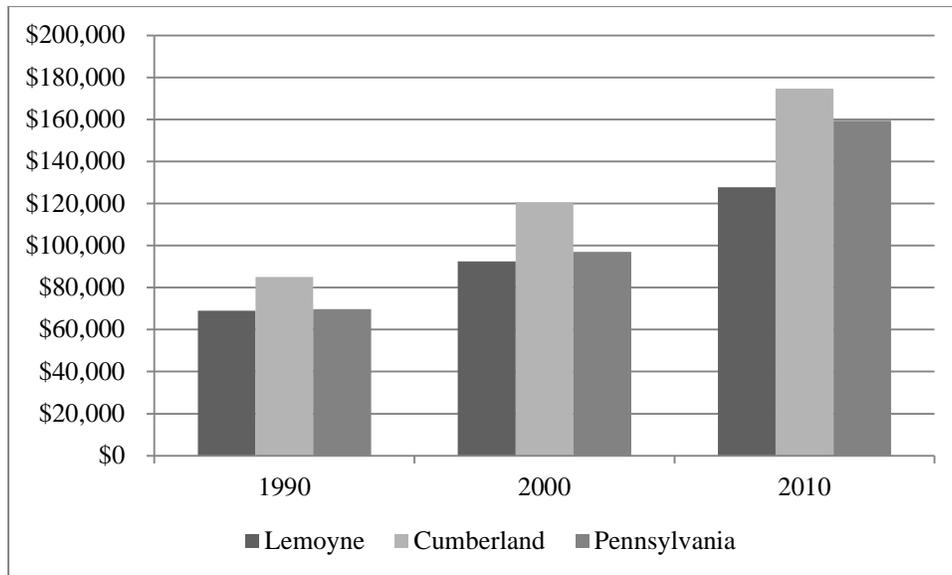
The median value of owner-occupied homes in the Borough grew steadily from 1990 to 2010. The change from 1990 to 2010 was an increase of \$58,700 or 85.1 percent. For the most part, the Borough’s median value remained below the state and Cumberland County as a whole. (See Table 2-5 and Graph 2-3.)

Table 2-5
 LEMOYNE BOROUGH
Median Value of Owner Occupied House
 1990-2010

	1990	2000	2010	Change 1990 - 2010	
				\$	%
Lemoyne	\$69,000	\$92,400	\$127,700	58,700	85.1
Cumberland	\$85,000	\$120,500	\$174,600	89,600	105.4
Pennsylvania	\$69,700	\$97,000	\$159,300	89,600	128.6

Source: U.S. Census Data/American Community Survey

Graph 2-3
 LEMOYNE BOROUGH
Median Value of Owner Occupied House
Compared to County and State
 1990 to 2010



Source: U.S. Census Data/American Community Survey

Per Capita Income

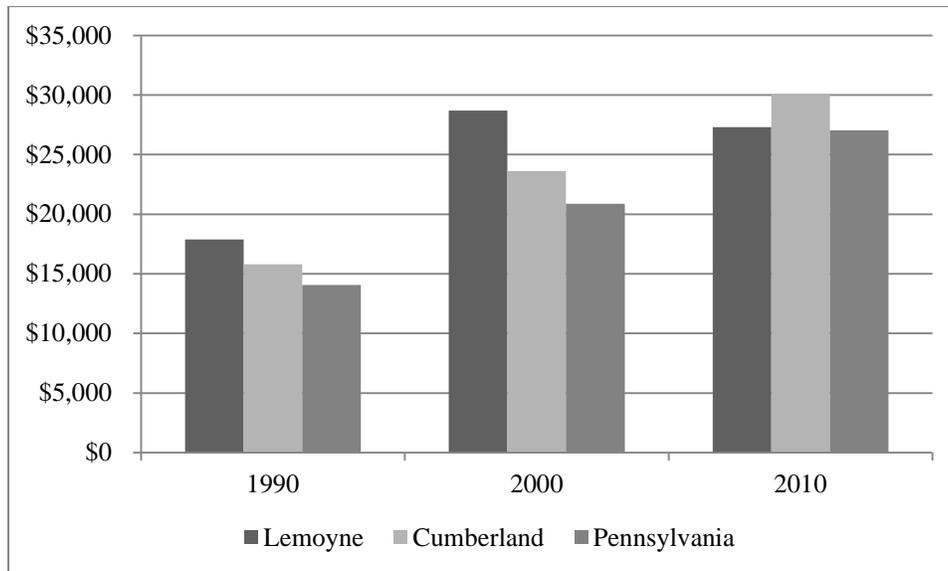
Lemoyne’s median per capita income was over that of the County and the state in 1990 and 2000. In 2010, Lemoyne’s media per capita income was on par with the state and slightly below the County. The Borough’s growth in median per capita income was significantly below that of the County and the state. Median per capita income in Lemoyne increased by \$9,415 or 52.6 percent, from \$17,889 in 1990 to \$27,304 in 2010. Per capita income in the County and state grew by over 90 percent during the same time period. (See Table 2-6 and Graph 2-4.)

Table 2-6
 LEMOYNE BOROUGH
Per Capita Income
 1990 to 2010

	1990	2000	2010	Change 1990 - 2010	
				\$	%
Lemoyne	\$17,889	\$28,705	\$27,304	9,415	52.6
Cumberland	\$15,795	\$23,610	\$30,119	14,324	90.7
Pennsylvania	\$14,068	\$20,880	\$27,049	12,981	92.3

Source: U.S. Census Data

Graph 2-4
 LEMOYNE BOROUGH
Per Capita Income
Compared to County and State
 1990 to 2010



Source: U.S. Census Data

Median Household Income

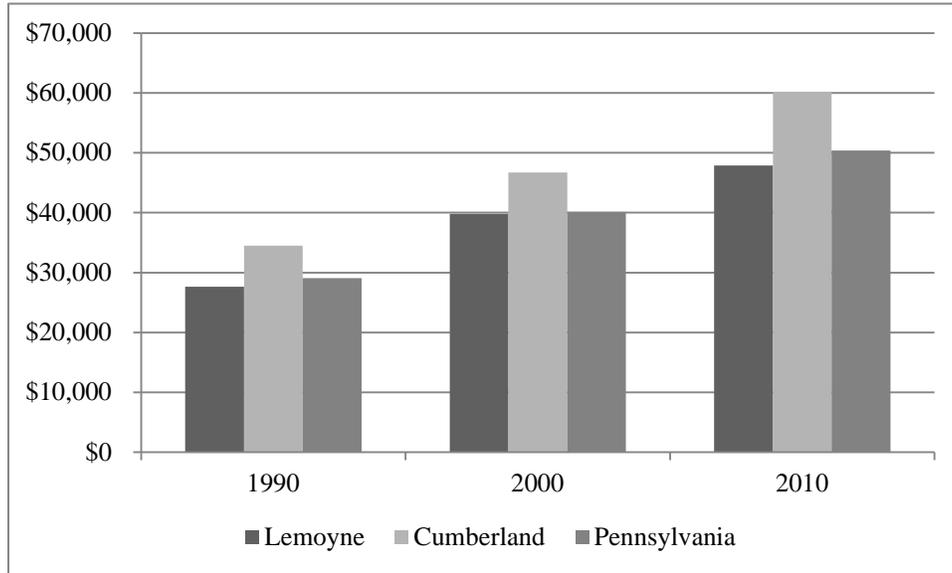
Median household income in Lemoyne Borough increased from \$27,635 in 1990 to \$47,863 in 2010 — a growth of \$20,228 or 73.2 percent. During the same period, median household income in Cumberland County rose from \$34,493 to \$60,219, a 74.6 percent increase. For Pennsylvania, median household income grew from \$29,069 to \$50,398 in 2010 or by 73.4 percent. The Borough’s median household income remained below both the state and the County during the entire review period. (See Table 2-7 and Graph 2-5.)

Table 2-7
 LEMOYNE BOROUGH
Median Household Income
 1990 to 2010

	1990	2000	2010	Change 1990-2018	
				\$	%
Lemoyne	\$27,635	\$39,803	\$47,863	20,228	73.2
Cumberland	\$34,493	\$46,707	\$60,219	25,726	74.6
Pennsylvania	\$29,069	\$40,106	\$50,398	21,329	73.4

Source: U.S. Census Data

Graph 2-5
LEMOYNE BOROUGH
Median Household Income
1990 to 2010



Source: U.S. Census Data

CHAPTER 3
HISTORICAL FINANCIAL REVIEW
2014 to 2018

Introduction

The Borough of Lemoyne's finances are contained and administered through several fund types. Governmental fund types include the General Fund which comprises the bulk of its transactions; the State Liquid Fuels Tax Fund and a Capital Projects (or Reserve) Fund. The Borough also has three proprietary funds, which account for activities that generate revenues through user charges that are used to pay for the services provided. Proprietary funds include the Sewer Fund, Pool Fund and Stormwater Fund. The Borough also maintains a Pension Fund (a fiduciary fund type) to account for the pension benefits provided to Borough employees. For purposes of this examination our focus is primarily on the General Fund with additional analysis provided for the Liquid Fuels, Capital Projects and Proprietary Funds.

Methodology

PEL compiled this historical review of the Borough's General Fund, special revenue and proprietary funds through analysis of year-end financial reports, independent audits, annual budgets, debt obligation documents, salary and benefit data, pension obligations and other financial obligations, as well as interviews with Borough officials. Data from the Department of Community and Economic Development, State Tax Equalization Board and US Census information was also used in the analysis.

Summary of Historical Financial Position

The historic financial review of Lemoyne's General Fund for the period 2014-2018 begins with a fiscal year deficit in 2014; however, ends with surpluses in 2015 through 2018 as shown in Table 3-1. The significant revenue increase in 2015 was due to an increase in Realty Transfer Tax revenue of approximately \$120,000. The significant revenue increase in 2018 was due to the 0.61 mill Real Estate Tax increase. Expenditures during the period show a reduction of 5.1 percent from 2014 levels. During the period examined, the Borough raised its real estate tax twice while eliminating the occupation and per capita taxes. The Borough's highest cost is for police services provided by the West Shore Bureau of Police through an intergovernmental agreement with Wormleysburg Borough. The next largest expense is for personnel costs for Borough employees including salaries and wages and employee benefits.

Ending results in 2016 and 2017 show an incremental decline and, without the tax increase in 2018, would have in all likelihood resulted in a deficit. Small incremental tax increases, though oftentimes difficult to make politically, represent prudent fiscal management. The Borough should be congratulated for taking the steps necessary to maintain its fiscal integrity. It is also important to note that the Borough has maintained a healthy fund balance in the General Fund, ending 2018 with a balance of approximately \$3.2 million, equivalent to one year’s annual budget.

Challenges for the Borough going forward include limited growth in its tax base as evidenced by a relatively stagnant assessed value and limited growth in employment-based taxes. Without action this will result in a mismatch as annual increases in expenditures, especially in police services and other personnel costs will outpace revenue increases. The Borough’s healthy fund balance provides a reserve to deal with any fiscal emergencies that may develop. A more detailed review of revenue and expenditure follows.

Table 3-1
LEMOYNE BOROUGH
Unadjusted General Fund Revenues, Expenditures and Surplus/(Deficit)
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenue	\$2,719,005	\$2,928,451	\$2,729,242	\$2,790,705	\$3,196,589	477,584	17.6
Expenditures	2,827,082	2,385,430	2,441,824	2,673,817	2,684,077	-\$143,005	-5.1
Surplus/(Deficit)	-\$108,077	\$543,021	\$287,418	\$116,888	\$512,512		

Revenue

Taxes

By far the Borough realizes the bulk of its revenue from taxes. Approximately 84 percent of revenues are from taxes with the real estate tax representing the largest tax source. This percentage has been consistent over the last five years as shown in Table 3-2. Non-tax revenue represents 15.3 percent of revenues and is comprised primarily of licenses, rents, service fees and intergovernmental revenue.

Table 3-2
LEMOYNE BOROUGH
Total Revenues
2014 to 2018

	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual
Tax Revenue	82.4%	84.3%	82.7%	84.3%	84.6%
Non-Tax Revenue	17.6%	15.7%	17.2%	15.7%	15.3%
Asset Sales	0.0%	0.0%	0.1%	0.0%	0.1%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3-3 below provides a more detailed review of tax revenue.

Table 3-3
LEMOYNE BOROUGH
Total Tax Revenues
2014 to 2018

	2014	2015	2016	2017	2018	Change		% of Taxes
						2014 - 2018		
	Actual	Actual	Actual	Actual	Actual	\$	%	%
Real Estate Taxes	\$1,138,533	\$1,217,907	\$1,212,298	\$1,308,907	\$1,638,966	500,433	44.0	60.6
Real Estate Transfer	245,456	362,209	135,004	137,445	247,081	1,625	.07	9.1
Earned Income Tax	656,073	654,521	638,821	652,923	610,022	-46,051	-7.0	22.5
Local Services Tax	199,104	234,438	270,282	254,252	209,669	10,565	5.3	7.7
Other Taxes	1,920	154	329	17	44	-1,876	-97.7	0.1
Total Tax Revenue	\$2,241,086	\$2,469,230	\$2,256,734	\$2,353,544	\$2,705,783	464,697	20.7	100.0

As shown in Table 3-3, Real Estate tax revenue represents the largest tax revenue source for the Borough at 60.6 percent in 2018. Earned Income tax (EIT) revenue is next at 22.5 percent followed by the Realty Transfer tax (RT) at 9.1 percent and the Local Services tax (LST) at 7.7 percent. Aside from the real estate tax, the other taxes are levied at their maximum rates as established under Act 511, the Local Tax Enabling Act.

Likewise, real estate revenue represents 51.3 percent of the Borough’s total General Fund revenues, while EIT represents 19.1 percent followed by Realty Transfer revenue at 7.7 percent and LST revenue at 6.6 percent. Taken together taxes represent 84.6 percent of all revenues while non-tax revenue and asset sales represent only 15.4 percent of revenue.

Real Estate tax revenue experienced a 44 percent increase over the last five years due primarily to the millage increase imposed in 2018 as the Borough’s assessed value has had only marginal increases as noted earlier. Revenue from EIT declined by 7 percent over the last five years. This trend is difficult to understand as EIT revenue typically mirrors economic growth and inflation. A review of data

from the Cumberland County Tax Bureau shows a rather consistent, though modest, increase in EIT revenue on a year to year basis. The explanation may be in the timing of distributions from the Tax Bureau and their recording in Borough records. The data though, does show a reduction in taxpayer accounts from 2,029 in 2014 to 1,678 in 2018. The 2018 number will likely increase somewhat as delinquent returns will add to this number. The average number of taxpayer accounts for the last five years is 1,876.

LST revenue experienced an overall increase of 5.3 percent during the five-year period, though its collection fluctuated significantly. LST is a measurement of employment in the municipality and the fluctuation could be a sign of a somewhat unstable employment base. However, Borough officials have indicated that there has not been any significant change in employment in the Borough. Realty transfer revenue is dependent on the number and size of property transactions and is very difficult revenue to predict. As shown above it experienced a significant increase in 2015 and has fluctuated greatly over the last five years.

The Borough enacted a general purpose real estate tax increase of 0.61 mills in 2018, which raised the total real estate millage to 3.13 mills and the general purpose portion of the millage to 2.65 mills. The last general purpose tax increase was in 2013. The Borough began a separate fire tax levy in 2014 to account for its contribution to the West Shore Bureau of Fire. Fire millage was 0.26 mills in 2014 and was increased in 2017 to the current 0.48 mills. This levy currently generates approximately \$255,000 in annual revenue.

The Borough repealed the Occupation tax levy effective in 2013 and also repealed the \$5 Per Capita tax effective for 2014. Combined these taxes generated approximately \$20,000 annually, but they are more difficult and expensive to collect than the real estate, earned income and local services taxes. The 0.2 mill increase in 2013 helped to offset this loss of revenue.

The Borough does not have a significant issue with delinquent real estate taxes as its collection rate is in the mid to upper 90 percent range as noted in Table 3-4. Credit rating agencies view an uncollected rate of 3 to 4 percent as normal while an uncollected rate that is in excess of 5 percent signals a potential problem in the stability of the tax base.

Table 3-4
 LEMOYNE BOROUGH
Real Estate Taxes, Assessed Value and Collection Rates
 2012 to 2019

	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Value (in 1,000s)	\$519,763	\$524,245	\$521,249	\$522,850	\$522,249	\$522,040	\$533,060	
GP Real Estate Tax (Mills)	2.1	2.3	2.04	2.04	2.04	2.04	2.65	2.65
Fire Tax (Mills)	0	0	0.26	0.27	0.27	0.48	0.48	0.48
Total	2.1	2.3	2.3	2.31	2.31	2.52	3.13	3.13
Real Estate Taxes Levied	\$1,095,601	\$1,209,605	\$1,200,603	\$1,208,872	\$1,206,395	\$1,315,205	\$1,668,478	
Real Estate Taxes Collected	\$1,047,865	\$1,157,727	\$1,120,744	\$1,155,582	\$1,212,298	\$1,308,907	\$1,638,966	
Tax Collection Efficiency	95.6%	95.7%	93.4%	95.6%	100%	99.5%	98.2%	

Assessed Value

In 2001, Cumberland County successfully concluded its first property reassessment since 1974. The county last conducted a reassessment in 2011. Effective with the 2002 tax year the ratio of assessed value to market value was changed from 25 percent to 100 percent. As shown in Table 3-4 above, the Borough’s assessed value has remained generally constant over the period examined based on data from the State Tax Equalization Board though it did see an \$11 million (2 percent) increase in 2018. As a result, the Borough currently receives approximately \$533,000 per mill of tax levied.

The State Tax Equalization Board (STEB) is required by law to establish and certify a Common Level Ratio for each county. Although Cumberland County employs a predetermined ratio of 100 percent the most recent Common Level Ratio (CLR) for the County as of 2018 is 114.2 percent. The CLR is the ratio that measures how a county’s Base Year Assessments compare with current Real Estate Market Valuation and represents the ratio of assessed value to current market value.

Tax Rate Comparison

The Borough is limited under the Borough Code to a total property tax rate for general purposes of 30 mills. With its current levy of 3.13 mills, the Borough is well below its legal limit though it must remain competitive with other municipalities in the area if it is to grow its tax base. A review of real estate tax rates in other municipalities in central and eastern Cumberland County reflects that Lemoyne’s 2019 levy is not out of line as shown in Table 3-5 below.

Table 3-5
 LEMOYNE BOROUGH
Comparative Real Estate Tax Rates
 2019

Municipality	Rate
Lemoyne Borough	3.130
Camp Hill Borough	3.022
Carlisle Borough	3.495
East Pennsboro Twp	1.640
Hampden Twp	0.156
Lower Allen Twp	3.030
Mechanicsburg Borough	3.830
New Cumberland Borough	3.900
Shiremanstown Borough	2.200
Upper Allen Twp	2.400
Wormleysburg Borough	3.361

Non-Tax Revenue

The Borough’s major non-tax revenues as shown in Table 3-6 are Intergovernmental Revenue, Licenses, Rents and Charges for Service. Intergovernmental revenue increased significantly in 2018 due to a \$126,000 refund from Benecon for health insurance claims. This refund should be categorized as a refund of prior year expenditures and is not anticipated to repeat at this level in subsequent years. License revenue is primarily from the Comcast and Verizon franchise fees and has been relatively constant. The Borough receives \$25,000 in rent annually from the West Shore Regional Police Department for use of its building as its headquarters. It also receives \$40,000 annually for billboard rental. These amounts are embodied in agreements and have been stable. Pension aid decreased over the five-year period due to the state aid for police pensions now going directly to the West Shore Regional Police Department and a decrease in Borough staffing. Interest income increased significantly in 2018 due to improved interest rates. The Borough’s significant fund balance is the major factor here. Although there have been variances in individual line items, overall Non-Tax Revenue has been generally constant over the last five years with only a 2.2 percent increase.

Table 3-6
 LEMOYNE BOROUGH
Non-Tax Revenues
 2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Licenses	\$86,188	\$88,413	\$89,847	\$91,633	\$86,573	385	0.4
Permits	4,850	4,275	5,500	8,075	5,150	300	6.2
Fines	3,471	3,022	11,071	9,592	3,685	214	6.2
Interest	1,833	2,002	3,669	9,339	23,390	21,557	1,176.1
Rents	27,000	22,966	25,000	25,000	25,000	-2,000	-7.4
State Capital & Operating Funds	1,495	734	742	928	965	-530	-35.4
Borough Pension State Aid	61,963	58,813	52,496	34,412	35,133	-26,830	-43.3
Fire Relief State Aid	38,240	36,857	36,633	32,979	29,946	-8,294	-21.7
Police Pension State Aid	51,119	51,755	65,620	0	0	-51,119	-100
PURTA	2,923	0	2,613	2,324	2,406	-517	-17.7
Intergovernmental Revenue	51,833	11,521	4,361	57,331	127,333	75,500	145.7
Charges for Services	4,775	3,750	18,938	20,625	12,421	7,646	160.1
Public Safety	13,373	15,067	19,816	22,851	20,656	7,283	54.5
Highways & Streets	5,589	13,612	12,385	1,478	3,192	-2,397	-42.9
Operating Revenue	41,171	50,197	30,797	44,526	31,976	-9,195	-22.3
Culture & Recreation	22,193	19,505	19,325	22,808	22,335	142	0.6
Other Charges for Services	58,306	61,979	63,630	51,079	56,452	-1,854	-3.2
Miscellaneous	1,597	14,754	6,656	2,182	1,754	157	9.8
Total Non-Tax Revenue	\$477,919	\$459,221	\$469,097	\$437,161	\$488,368	10,449	2.2

Special Revenue Funds

The Special Revenue Funds are comprised of the State Liquid Fuels Fund and the Capital Projects (Capital Reserve) Fund.

Liquid Fuels revenues are received annually from the PA Department of Transportation and are based on population and road mileage. These revenues have steadily increased over the last five years with an aggregate increase of 41 percent as reflected in Table 3-7 below. This is indicative of the steady increase in fuel tax revenues at the state level. Liquid Fuels expenditures are limited to eligible highway activities and have been somewhat erratic but within available Liquid Fuels funds as noted below. These funds lessen the dependency on General Fund revenues for street related activities. Expenditures have varied over the period with 2018 expenditures 109 percent higher than 2014. The Liquid Fuels Fund has a significant fund balance, ending 2018 with a fund balance of \$268,000 or more than one year’s entitlement.

Table 3-7
LEMOYNE BOROUGH
Liquid Fuels
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
Revenues	\$109,361	\$ 120,457	\$140,637	\$147,155	\$154,287	44,926	41%
Expenditures	89,924	266,246	153,672	9,286	188,348	98,424	109%
Surplus/(Deficit)	\$19,437	-\$145,789	-\$13,035	-\$137,869	-\$34,061		

The Capital Projects or Reserve Fund was established to set aside General Fund revenues for capital improvements including equipment, building and infrastructure improvements in the Borough. Revenues are derived from periodic transfers from the General Fund and have varied significantly over the last five years as noted in Table 3-8. At year end 2018 this fund had a fund balance of approximately \$430,000. Although the Borough is to be commended for establishing a Capital Projects Fund it does not have a formal multi-year comprehensive capital program.

Table 3-8
LEMOYNE BOROUGH
Capital Projects Fund
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
Revenues	\$475,000	\$90,197	\$11,125	\$1,508	\$316,676	-158,324	-33%
Expenditures	285,422	171,858	125,394	313,543	217,861	-67,561	-24%
Surplus/(Deficit)	\$189,578	-\$81,661	-\$114,269	-\$312,035	\$98,815	-219,572	

Proprietary Funds

The Borough also maintains three Proprietary Funds; Swimming Pool Fund, Stormwater Fund and Sewer Fund. These funds are established to account for services for which user fees are imposed to offset operating costs and are similar to those found in the private sector. This chapter will address the Swimming Pool and Stormwater Funds. The Sewer Fund is addressed separately in the Sewer Chapter.

Swimming Pool Fund

The Borough owns the municipal swimming pool and is responsible for its maintenance and upkeep. The West Shore Bureau of Recreation manages the pool through an intermunicipal agreement. Table 3-9 provides a summary of the pool’s operation from 2014 to 2018. The 2014 audit showed a

\$900,000 transfer into the Swimming Pool Fund and there was a corresponding \$900,000 transfer out of the Sewer Fund. Borough officials were unable to explain what this might have been and the \$900,000 did not reconcile with fund balance information, thus it was removed for this analysis. It’s important to note that although the Pool Fund has generally had sufficient revenues to offset expenditures, the General Fund has provided periodic transfers to offset shortfalls in pool generated revenue. A more detailed discussion of the pool’s operation is found in the Administration Chapter.

Table 3-9
LEMOYNE BOROUGH
Swimming Pool Fund
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$79,612	\$92,198	\$90,557	\$90,147	\$101,792	22,180	28%
Other Financing Sources	12,162	4,012	15,009	7,434	192	-11,970	-98%
Total Revenues/OFS	91,774	96,210	105,566	97,581	101,984	10,210	11%
Expenditures	88,707	98,813	106,178	97,225	89,886	1,179	1%
Surplus/(Deficit)	\$3,067	-\$2,603	-\$612	\$356	\$12,098	9,031	

Stormwater Fund

Ordinance 734 enacted by the Borough in October 2015 established a Stormwater Management Plan to provide for the management and regulation of stormwater facilities within the Borough as well as establish fees associated with stormwater facilities. It provided for a dedicated fund to address implementation of the Municipal Separate Storm Sewer System Program (MS4) requirements as established by the PA Department of Environmental Resources (DEP) pursuant to the Environmental Protection Agency’s National Pollutant Discharge Elimination System (NPDES). The general requirement is to develop and implement a Stormwater Management Program of Best Management Practices (BMP) to reduce the discharge of pollutants from small MS4 systems to the maximum extent practicable. This is accomplished by implementing six minimum control measures, which are: Public Education & Outreach; Public Participation/Involvement; Illicit Discharge Detection & Elimination; Construction Site Runoff Control; Post-Construction Runoff Control; and Pollution Prevention/Good Housekeeping. The Borough is required to implement BMP according to an approved schedule. Ordinance 734 was enacted to provide local regulation of development and other activities that affect stormwater runoff. The Borough also hired an MS4 Coordinator in early 2019 to manage

implementation of its stormwater plan. This fund was initially established in 2016 with a transfer of \$25,000 from the General Fund.

In March 2019, the Borough enacted Ordinance 756, which established a Stormwater assessment for the construction, maintenance and operation of its stormwater facilities. The assessment is applicable for all residential and non-residential properties. The fee is based on Equivalent Tenth of Acre Units (ETUs) with one ETU set at an initial rate of \$7.50 per month. The ordinance also established a dedicated Capital Reserve Fund that is to receive all funds from the assessment formula provided in the ordinance and account for all stormwater related expenses. Funds are to be used for the implementation of the MS4 program and budgeted by the Borough accordingly. Table 3-10 provides a summary of the Stormwater Fund since its inception in 2016. Moving forward this fund will grow significantly as it receives revenues generated by the assessment enacted earlier this year and expends funds related to the implementation of MS4.

Table 3-10
LEMOYNE BOROUGH
Stormwater Fund
2014 to 2018

	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	\$	%
Revenues	\$350	\$0	\$29,440	29,090	8311%
Other Financing Sources	25,000	77,815	36,685	11,685	47%
Total Revenues/OFS	25,350	77,815	66,125	40,775	161%
Expenditures	22,007	76,455	70,828	48,821	222%
Surplus/(Deficit)	\$3,343	\$1,360	-\$4,703	8,046	

Expenditures

Departmental Expenditures

Public Safety as shown in Table 3-11 and in Graph 3-1 is the largest departmental cost center, increasing from \$1.2 million in 2014 to \$1.3 million in 2018, an 11.8 percent increase. As noted in Graph 3-1, Public Safety represents 51 percent of General Fund expenditures. This category includes services provided through intergovernmental agreements with Wormleysburg Borough for both police and fire services provided by the West Shore Regional Police Department and the West Shore Bureau of Fire, respectively. It also includes inspection and planning related services. The next largest expenditure is for street and park maintenance which represents 26 percent of expenditures. It experienced a 22

percent increase over the period and includes electricity for street and traffic lights as well as personnel in the Highway Department.

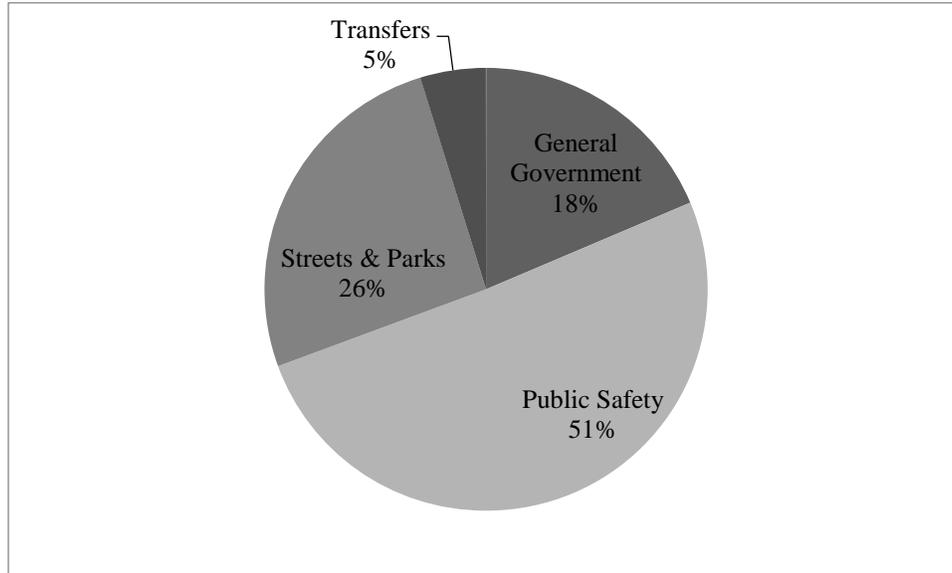
General Government expense was the next largest at 18.2 percent of expenditures and includes administrative personnel salaries and benefits, legal and engineering expense, insurances and building operation and maintenance. It experienced the largest departmental increase going from \$311,724 in 2014 to \$485,939 in 2018, a 55.9 percent increase. Part of this increase was due to the reallocation of benefits to each department. This likewise was part of the reason for the 22 percent increase in Streets & Parks. Debt service was eliminated after 2014 when the last payment on a 2005 General Obligation Note was made. Employee benefits decreased by \$102,890 due primarily to the elimination of the police pension aid, a reduction in municipal pension costs and a reallocation of these costs to each department, thus explaining the larger increases in General Government and Streets and Parks. Finally, transfers varied significantly over the period as follows:

- 2014: \$475,000, Capital Projects Fund; \$12,150, Swimming Pool Fund.
- 2015: \$4,000, Swimming Pool Fund.
- 2016: \$15,000, Swimming Pool Fund; \$25,000 Stormwater Fund.
- 2017: \$7,411, Swimming Pool Fund; \$77,815, Stormwater Fund
- 2018: \$36,684, Stormwater Fund and \$125,000, Capital Projects Fund.

Table 3-11
LEMOYNE BOROUGH
Departmental Expenditures
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014 to 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
General Government	\$311,724	\$367,944	\$414,524	\$493,437	\$485,939	174,215	55.9
Public Safety	1,184,712	1,231,898	1,323,728	1,312,183	1,324,652	139,940	11.8
Health & Human Services	17	1,023	388	372	266	249	1,462.9
Streets & Parks	551,825	609,099	560,559	676,929	674,588	122,763	22.2
Storm sewers & Drains	0	2,041	379	0	0	0	0.0
Cultural/Economic Development	67,491	62,482	67,636	75,161	33,295	-34,196	-50.7
Economic Development	14,320	7,585	13,635	9,282	19,711	5,391	37.6
Debt Service	86,577	0	0	0	0	-86,577	-100.0
Employee Benefits	106,540	82,381	4,000	4,250	3,650	-102,890	-96.6
Transfers	487,000	4,000	40,000	85,226	125,000	-362,000	-74.3
Total Expenditures	\$2,810,206	\$2,368,454	\$2,424,848	\$2,656,841	\$2,667,101	-143,105	-5.1

Graph 3-1
 LEMOYNE BOROUGH
Major General Fund Departmental Expenditures¹
 2018



Personnel and Non-Personnel Costs

As depicted in Table 3-12, the greatest historic General Fund expenditures (65.8 percent) are related to non-personnel costs. These include the Borough’s payments for police and fire services provided under intergovernmental agreements with Wormleysburg. It also includes electricity, insurances and other operating costs. For 2018 they represented 65.8 percent of total expenditures, a number that has been consistent over the last five years. Personnel costs for Borough employees represent the second largest expenditure at 27.7 percent for 2018. This percent likewise has been consistent over the five-year period examined. Overall, the Borough has done a good job of controlling expenditures and actually achieved a reduction from 2014 to 2018 of \$143,005 or 5.1 percent. Personnel costs increased an average of 2.3 percent while non-personnel costs increased an average of 2.9 percent. Borough debt service declined by almost 60 percent over the historical review period due to the satisfaction of the 2005 note as previously noted. During the five-year period, the Consumer Price Index as measured by the US Department of Labor rose 7.6 percent or an annual average of 1.5 percent.

¹ Excludes departmental expenditures less than \$100,000 including health and human services, storm water, economic development, employee benefits and debt service

Table 3-12
 LEMOYNE BOROUGH
Personnel, Non-Personnel, Capital, Debt Service and Transfers
 2014 to 2018

	2014	2015	2016	2017	2018	Change 2014 - 2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Personnel	\$668,702	\$705,633	\$735,553	\$728,315	\$744,298	75,586	11.3
Non-Personnel	1,541,394	1,638,004	1,629,194	1,800,124	1,767,179	225,785	14.6
Capital	13,409	7,792	2,077	153	0	-13,409	-100.0
Debt Service	116,577	30,000	35,000	60,000	47,600	-68,977	-59.2
Transfers	487,000	4,000	40,000	85,226	125,000	-362,000	-74.3
Total Expenditures	\$2,827,082	\$2,385,430	\$2,441,824	\$2,673,817	\$2,684,077	-143,005	-5.1

Personnel

Regarding personnel costs, Lemoyne has a very lean personnel compliment, with many employees wearing more than one hat, so it is unlikely given the current status quo that additional cuts can be made to personnel without impacting services. However, it is possible to constrain personnel costs through additional intergovernmental initiatives.

Table 3-13 provides greater detail on personnel expenditures. Salary and wages represent 58 percent of personnel costs and ranged from \$348,000 in 2014 to \$423,000 in 2018, a 21.6 percent increase. Overtime costs have not been an issue and actually declined by 28.1 percent. Health insurance, the second largest personnel expense, is 26 percent of personnel costs and increased 82.7 percent over the period. Pension expense is third at 6 percent of personnel costs, though it decreased significantly primarily due to the elimination of police pension costs as these are now paid directly by the Regional Police Commission.

Table 3-13
 LEMOYNE BOROUGH
Personnel Expenditure Detail
 2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Salary & Wages	\$347,936	\$336,704	\$349,965	\$403,477	\$423,135	75,199	21.6
Overtime	4,184	4,279	4,119	845	3,009	-1,175	-28.1
FICA	26,926	27,116	27,258	31,167	31,638	4,712	17.5
Health Insurance	104,381	127,262	194,063	193,581	190,749	86,368	82.7
Life Insurance	4,627	3,505	11,312	8,303	8,430	3,803	82.2
Pension	158,740	180,586	115,899	54,740	49,386	-109,354	-68.9
Unemployment Comp	6,076	2,576	7,375	5,357	4,013	-2,063	-34
Workers Comp	5,315	15,571	15,897	20,258	23,912	18,597	349.9
Uniforms	4,698	5,475	5,627	5,894	5,455	757	16.1
Other Employee Expense	5,819	2,560	4,038	4,693	4,571	-1,248	-21.4
Total Employee	\$668,702	\$705,633	\$735,553	\$728,315	\$744,298	75,596	11.3

Table 3-14 provides greater detail with respect to non-personnel expenditures. Police services represent 62.3 percent of these expenditures while fire services represent 5.8 percent. Other significant non-personnel expenditures are professional services at 8.4 percent and electricity at 5.7 percent. All other non-personnel expenditures total 17.8 percent.

Table 3-14
 LEMOYNE BOROUGH
Non-Personnel Expenditure Detail
 2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
Advertising	\$7,791	\$8,478	\$7,298	\$9,248	\$5,447	-\$2,344	-30.1%
Communications Expense	7,512	11,091	10,703	9,946	13,855	6,343	84.4
Contracted Services	0	0	13,826	245	0	0	0.0
Electricity	108,239	113,878	110,898	104,285	100,657	-7,582	-7.0
Fireman's Relief	38,240	36,857	36,633	32,979	29,946	-8,294	-21.7
Gas	4,175	4,722	3,159	3,769	4,613	438	10.5
Heat	3,475	2,316	1,577	1,699	1,957	-1,518	-43.7
Insurance	23,602	27,854	27,382	29,451	35,137	11,535	48.9
Library	2,000	2,000	3,000	2,000	3,000	1,000	50.0
Maintenance Contracts	983	5,556	4,642	6,839	19,222	18,239	1,855.5
Memberships, Dues, Subscriptions	5,568	4,703	3,946	4,011	5,382	-186	-3.3
Miscellaneous	16,876	16,976	16,976	16,976	16,976	100	0.6
Office Supplies	26,298	16,811	5,794	8,969	3,952	-22,346	-85.0
Operating Supplies	66,185	68,656	40,291	151,080	53,572	-12,613	-19.1
Other Expense	508	5,202	3,494	10,110	4,554	4,046	796.4
Other Operating Expense	10,698	11,354	3,492	8,874	6,573	-4,125	-38.6
Other Supplies	3,547	2,635	6,924	2,133	2,018	-1,529	-43.1
Permit Fees	44	152	457	351	151	107	243.2
Postage	2,416	1,440	1,186	1,627	1,539	-877	-36.3
Professional Services	71,291	137,131	128,269	179,670	147,759	76,468	107.3
Recreation	11,384	8,537	11,383	11,383	11,383	-2	0.0
Regional Police Services	947,206	963,967	1,011,935	1,011,935	1,101,773	154,567	16.3
Regional Fire Services	96,630	102,840	102,840	102,840	102,840	6,210	6.4
Rentals	3,819	4,671	4,113	6,370	5,842	2,023	53.0
Repairs & Maintenance	27,045	35,633	22,211	32,301	36,067	9,022	33.4
Vehicle Expense	30,538	17,434	18,507	25,192	27,060	-3,478	-11.4
Water	25,324	27,110	28,257	25,842	25,904	580	2.3
Total Non-Employee Expenditures	\$1,541,394	\$1,638,004	\$1,629,194	\$1,800,124	\$1,767,179	\$225,785	14.6%

Debt

The Borough satisfied a General Obligation Note, Series of 2005 in 2014 and at this time has no outstanding General Obligation debt. The Commonwealth’s Local Unit Debt Act limits municipal borrowing to 250 percent of net revenues. An approximate calculation using 2019’s General Fund revenue places the Borough’s borrowing capacity at \$7 million.

In 2017, the Borough guaranteed \$1.5 million of a \$2.8 million note obtained by the West Shore Bureau of Fire for the construction of a fire and rescue building. Wormleysburg further guaranteed \$1 million of this note with the Bureau assuming responsibility for the balance. According to Borough

officials, the Borough is paying debt service on the \$1.5 million and does not anticipate receiving any repayment from the Bureau. The Borough increased its millage for fire service by 0.21 mills in 2017 to account for this payment.

The Borough has a lease agreement with the Lemoyne Municipal Authority for its wastewater treatment system. Under terms of the lease agreement, the Borough pays annual rent to the Authority for a term that corresponds to the Authority’s Sewer Revenue Notes. Rental payments are made from the Borough’s Sewer Fund. Annually, the Borough pays the Authority \$250,000 plus a \$16,000 administration fee along with 100 percent of the debt service requirements for the Sewer Revenue Notes. The Authority currently has three outstanding obligations that were used to upgrade the wastewater treatment system. The obligations include a PennVest note issued in 2013 in the amount of \$11 million with an outstanding balance at year end 2018 of \$9,348,614; Series of 2011 Note in the amount of \$3.8 million with an outstanding balance at year end 2018 of \$2,285,834; and a Series of 2013 Note in the amount of \$5 million with an outstanding balance at year end 2018 of \$4,373,136. Debt service for the next five years on these notes totals \$1.05 million annually and is paid through sewer user fees. A further discussion of sewer system debt is found in the Sewer Chapter.

Fund Balances

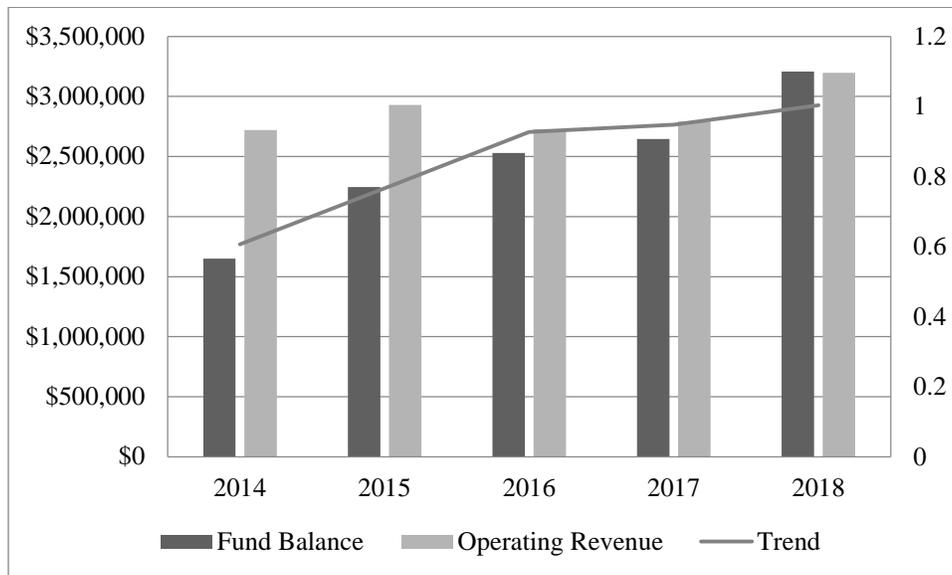
Through prudent management the Borough has achieved a significant fund balance in its General Fund with an increase of over \$1.5 million since 2014; a very positive trend as shown in Table 3-15 and Graph 3-2 below. Likewise, the Liquid Fuels and Capital Reserve Funds also have significant fund balances though these amounts have fluctuated based on various capital and operating expenditures. The size of a fund balance affects the ability of a local government to withstand fiscal emergencies as well as its ability to accumulate funds for capital activities without having to incur debt.

Table 3-15
LEMOYNE BOROUGH
Fund Balances
2014 to 2018

	2014	2015	2016	2017	2018	Change 2014-2018
General Fund	\$1,649,759	\$2,244,845	\$2,529,334	\$2,647,027	\$3,208,713	1,558,954
Liquid Fuels	318,323	172,907	160,222	298,912	268,003	-50,320
Capital Reserve	764,539	757,885	643,616	331,581	430,396	-334,143
Total Governmental Funds	\$2,732,621	\$3,175,637	\$3,333,172	\$3,277,520	\$3,907,112	1,174,491

Another way to look at fund balance is to contrast it with operating revenues. Graph 3-2 shows the General Fund’s fund balance in relationship to operating revenue. It shows a steady upward trend in the fund balance and by the end of 2018, it had exceeded operating revenues. With this in mind the Borough should consider establishing as a goal maintaining a fund balance as a certain percentage of operating revenue. At a minimum this should be 10 percent, though based on history, Lemoyne may want to establish a higher percentage. Funds above the established percentage could then be transferred to the Capital Reserve Fund.

Graph 3-2
LEMOYNE BOROUGH
Fund Balance and Operating Revenue
2014 to 2018

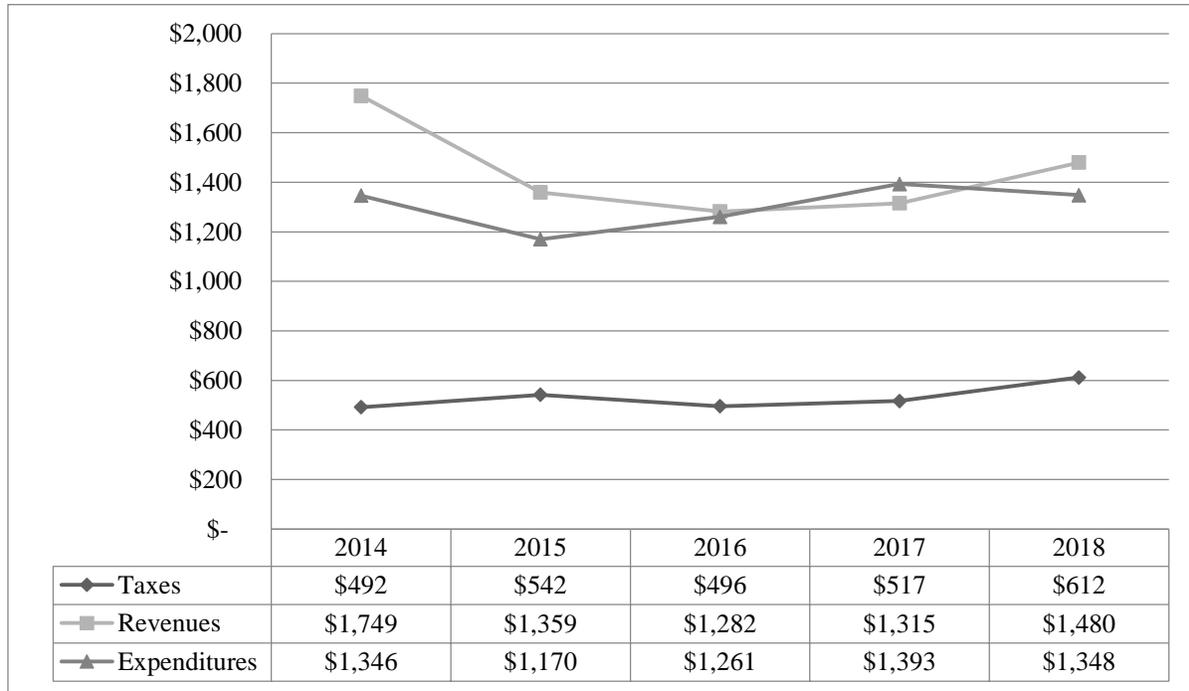


Comparative and Trend Data

Finally, it is important to analyze trend data in order to identify trends that may reflect a negative outlook prior to reaching a critical point where the health, safety and welfare of residents could be jeopardized. This allows time to take appropriate corrective action that will maintain a municipality’s fiscal integrity. Financial institutions and rating agencies find this data especially beneficial in monitoring a municipality’s fiscal condition. This review looked at taxes per capita, revenues per capita and expenditures per capita as reflected in Graph 3-3 below. Taxes per capita were relatively stable from 2013 to 2017 at approximately \$500 per capita. That increases by approximately \$100 to just over \$600 per capita in 2018 primarily due to the increase in real estate taxes levied as part of the 2018 budget. Revenue per capita reflects a significant increase of \$390 in 2014 followed by a decline back to a level

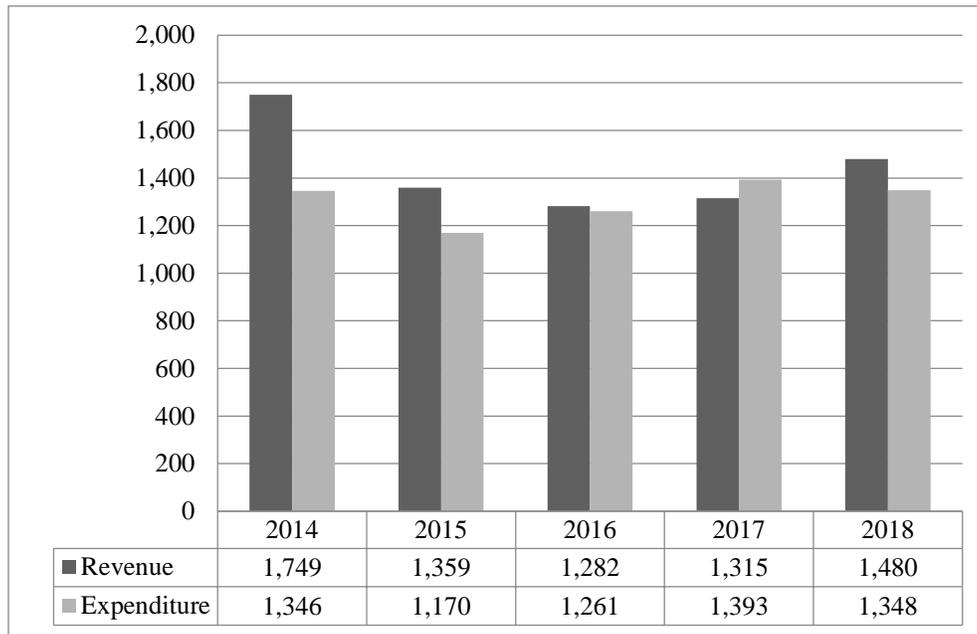
of approximately \$1,300 through 2017 and then an increase of \$165 in 2018 primarily due to the increase in real estate taxes. Expenditures per capita have been more volatile with an increase in 2014 to \$1,346 that was offset by the increase in revenue per capita. There was a significant drop in 2015 to \$1,170 followed by steady increases in 2016 and 2017 and then a small decline to \$1,348 in 2018.

Graph 3-3
 LEMOYNE BOROUGH
Taxes, Revenues and Expenditures Per Capita
 2014 to 2018



Graph 3-4 looks at the gap between revenues per capita and expenditures per capita. It reflects a positive result with the exception of 2017, when expenditures per capita exceeded revenues per capita by \$78.

Graph 3-4
LEMOYNE BOROUGH
Revenues and Expenditures Per Capita Summary
2014 to 2018



As noted earlier, in order to encourage residential and commercial development that will grow its tax base, Lemoyne must be competitive with municipalities in the region both in terms of services provided and the taxes levied to support those services. Table 3-16 below compares Lemoyne with other municipalities in eastern and central Cumberland County from statistical data published by the Department of Community and Economic Development. Revenue and expenditure data include both governmental and proprietary funds. Note that the per capita information is the latest data available.

Table 3-16
 LEMOYNE BOROUGH
Comparative Data

Municipality	Mill Rate 2018	Taxes Per Capita 2017	Revenues Per Capita 2017	Expenditures Per Capita 2017
New Cumberland Borough	3.9	429.48	722	745
Mechanicsburg	3.83	409.4	1,023	932
Carlisle Borough	3.495	438.3	2,013	1,766
Wormleysburg Borough	3.361	409.19	899	878
Lemoyne	3.13	\$516.92	\$1,315	\$1,393
Lower Allen Twp	3.03	482.98	865	823
Camp Hill Borough	3.022	546.87	1,195	1,315
Upper Allen Twp	2.4	482.04	1,149	899
Shiremanstown Borough	2.2	258.66	328	322
East Pennsboro Twp	1.64	317.19	868	813
South Middleton Twp	0.6	260.3	481	342
Hampden Twp	0.156	324.32	1,455	1,389

Although Lemoyne has a competitive real estate mill rate compared to other municipalities it ranks second in taxes per capita exceeded only by Camp Hill Borough. It ranks third in terms of revenues per capita, following Carlisle and Hampden Township, and second in terms of expenditures per capita exceeded only by Carlisle. Recommendations provided in this report are intended to improve on these ratios and increase Lemoyne’s ability to both grow its tax base and provide for the health, safety and welfare of residents through the efficient delivery of municipal services.

CHAPTER 4 FINANCIAL PROJECTIONS

Introduction

Although Lemoyne currently has a rather robust fund balance, anticipated stagnate revenues and growing expenditures will place added pressure on the Borough to maintain future balanced budgets without further actions. The Borough raised real estate taxes in 2018 for general purposes, imposed a separate fire tax in 2014 and increased it in 2017 when the Borough guaranteed \$1.5 million as its share of a \$2.8 million note for the construction of a new fire and rescue facility. In March 2019, the Borough also imposed a stormwater assessment to fund implementation of their MS4 program. Going forward, the Borough needs to maintain its competitiveness with other municipalities in the region while continuing to provide quality municipal services. The healthy fund balance can provide some relief in the short term without raising taxes, though actions will be necessary to address the projected growing mismatch between revenues and expenditures in the later years. In addition to projections for 2019-2023, this chapter includes recommendations for both revenue enhancements and cost containment.

Revenue Projection Assumptions

- The 2019 budget serves as the baseline
- Tax rates and fees remain at 2019 levels
- 0.5 percent annual increase in Real Estate Tax revenue based on assessment increases
- \$30,000 increase in Realty Transfer Taxes for 2020 based on historic trends and then held steady
- 2 percent annual growth in Earned Income Tax revenue
- 1 percent annual growth in Local Services Tax revenue
- 3 percent annual growth in state pension and fire relief aid
- Intergovernmental revenue adjusted to 5-year average
- Other revenues held at 2019 levels

Expenditure Projection Assumptions

- The 2019 budget serves as the baseline
- Employee count remains at 2019 budgeted levels

- No new debt incurred
- Union employee wages and salaries were increased at the annual contractual rate through 2021 and then 2.5 percent annually.
- Other employee wages and salaries were increased at AFSCME contractual rate
- Pension was increased by annual wage increases
- Health insurance was increased by 6 percent annually
- Regional Police was increased 3 percent annually
- Regional Fire was increased 1 percent annually
- Other annual expenditure growth rates were based on historical patterns and/or projected annual inflation rates.

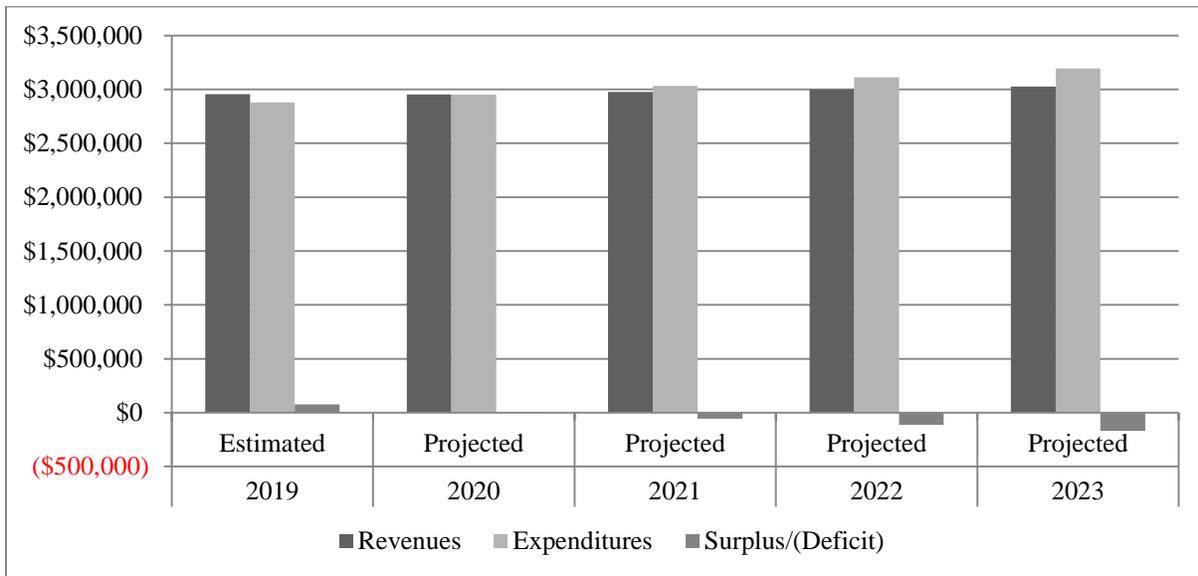
Summary of Projected Revenues and Expenditures

The Borough is anticipated to experience a surplus in 2019 although without corrective action this quickly turns negative in 2020 with increasing annual deficits through 2023 as shown in Table 4-1. Revenues are expected to increase by 2.3 percent over the next 5 years compared to projected expenditure increases of 11 percent. Though minimal in 2020, the deficit is expected to grow to 6 percent of revenues by 2023.

Table 4-1
BOROUGH OF LEMOYNE
Revenues and Expenditures
2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
Revenues	\$2,956,638	\$2,952,872	\$2,976,829	\$3,001,134	\$3,025,795	69,158	2.3
Expenditures	2,878,101	2,953,690	3,033,208	3,113,011	3,195,034	316,933	11.0
Surplus/(Deficit)	\$78,537	-\$818	-\$56,379	-\$111,877	-\$169,239	-247,775	

Graph 4-1
 BOROUGH OF LEMOYNE
Revenues and Expenditures
 2019 to 2023



Revenues

Taxes

The Borough’s patterns with respect to real estate, earned income and local services taxes explained in Chapter 3 are anticipated to continue in future years based on the assumptions above and are shown in Table 4-2. Real estate taxes represent 55 percent of revenues and 62 percent of taxes and are expected to rise 0.5 percent annually over the period based on incremental assessment increases. Realty transfer taxes represent 5 percent of revenue and are expected to generate \$140,000 annually over the period, though this tax can be volatile and is dependent on the number and size of real estate transactions. Earned income tax (24 percent of taxes) and local services tax (8 percent of taxes) are more predictable and are expected to rise annually by 2 percent and 1 percent, respectively. Earned income tax at 21 percent is the second largest revenue source while the local services tax is third at 7 percent. Overall tax revenues represent 88 percent of revenue and should rise 3.5 percent over the next five years.

Table 4-2
 BOROUGH OF LEMOYNE
Total Tax Revenue by Source
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
Real Property Taxes	\$1,632,902	\$1,641,067	\$1,649,272	\$1,657,519	\$1,665,806	32,904	2.0%
Realty Transfer Tax	140,000	140,000	140,000	140,000	140,000	—	—
Earned Income Tax	600,000	612,400	624,240	636,725	649,459	49,459	8.2%
Local Services Tax	210,000	212,100	214,221	216,363	218,527	8,527	4.1%
Total Tax Revenue	\$2,582,902	\$2,605,167	\$2,627,733	\$2,650,607	\$2,673,792	90,890	3.5%

Non-Tax Revenue

With the exception of state aid for pensions and fire relief, non-tax revenue is projected to remain flat through the period as seen in Table 4-3. Intergovernmental revenues were adjusted to hold steady at \$30,600 based on the five-year average. In addition, 2019 includes a one-time grant. Overall, non-tax revenue represents just 12 percent of revenue and is expected to decline by 3.2 percent for the period examined.

Table 4-3
 BOROUGH OF LEMOYNE
Total Non-Tax Revenue by Source
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
Licenses	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	0	0.0
Permits	5,000	5,000	5,000	5,000	5,000	0	0.0
Fines	4,000	4,000	4,000	4,000	4,000	0	0.0
Interest	20,000	20,000	20,000	20,000	20,000	0	0.0
Rents	25,000	25,000	25,000	25,000	25,000	0	0.0
Capital & Operating Funds	965	965	965	965	965	0	0.0
Borough Pension State Aid	20,000	20,600	21,218	21,855	22,510	2,510	12.6
Fire Relief State Aid	25,000	25,750	26,523	27,318	28,138	3,138	12.6
PURTA	2,250	2,250	2,250	2,250	2,250	0	0.0
Intergovernmental Revenue	47,980	30,600	30,600	30,600	30,600	-17,380	-36.2
Charges for Services	12,250	12,250	12,250	12,250	12,250	0	0.0
Public Safety	32,490	32,490	32,490	32,490	32,490	0	0.0
Highways & Streets	500	500	500	500	500	0	0.0
Operating Revenue	27,700	27,700	27,700	27,700	27,700	0	0.0
Culture & Recreation	19,600	19,600	19,600	19,600	19,600	0	0.0
Other Charges for Services	40,000	40,000	40,000	40,000	40,000	0	0.0
Miscellaneous	1,000	1,000	1,000	1,000	1,000	0	0.0
Total Non-Tax Revenue	\$363,735	\$347,705	\$349,096	\$350,528	\$352,003	-11,732	-3.2

Expenditures

Personnel, Non-Personnel and Debt Service

As shown in Table 4-4, personnel costs represent 28 percent of General Fund expenditures and are anticipated to increase by \$110,492 or 14.1 percent. Normally, personnel costs are the largest municipal expenditure; however, as Lemoyne provides police and fire service through intergovernmental agreements, those costs are treated as non-personnel costs. The major personnel cost drivers are salaries, which are anticipated to rise by 11 percent, and health insurance, which is expected to rise by 26 percent through 2023.

Non-personnel costs at 67 percent represent the largest expenditure area of the budget and are expected to rise by 10.6 percent over the next five years. This category includes the cost for both police and fire service provided under intergovernmental agreements with Wormleysburg Borough.

Debt service represents 5 percent of the budget and is for the Borough’s payment on the West Shore Bureau of Fire’s station (\$115,000) and pumper (\$35,000). It will remain constant at \$150,500 annually.

Table 4-4
BOROUGH OF LEMOYNE
Personnel, Non-Personnel and Debt Service
2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
Employee	\$784,173	\$811,097	\$839,262	\$866,366	\$894,665	110,492	14.1
Nonemployee	1,942,929	1,991,593	2,042,945	2,095,645	2,149,369	206,441	10.6
Capital	500	500	500	500	500	0	0.0
Debt Service	150,500	150,500	150,500	150,500	150,500	0	0.0
Transfers	0	0	0	0	0	0	0.0
Total Expenditures	\$2,878,101	\$2,953,690	\$3,033,208	\$3,113,011	\$3,195,034	316,933	11.0

Personnel

A closer look at personnel costs can be found in Table 4-5 below. Salaries include personnel in Administration, Streets and Parks, and Code Enforcement. A portion of the Street Department employees’ salaries are also allocated to the Stormwater Fund. Salaries are expected to increase by \$46,643 or 11.2 percent over the next five years. Increases through 2021 are based on the current AFSCME contract that runs through December 2021. Our analysis of the last five years found that the Borough has managed overtime well and kept it to a minimum, thus our projection maintains it at the \$4,000 level. Social Security increased at the same level as salaries.

Health insurance, which is always a major factor in employee benefits, is projected to increase by 6 percent annually. In an effort to contain health care costs, the Borough's plan includes provisions for employees to share in the cost of health care with contributions of 7 percent in 2019, 8 percent in 2020 and 9 percent in 2021 per the AFSCME contract. The plan also provides for deductibles and co-pays. The Borough does provide a reimbursement of \$100/bi-weekly pay for employees who chose to obtain health insurance through other means.

The Borough provides a defined benefit pension plan for full-time employees. Normal retirement under the plan is age 62 with 15 years of service. The retirement benefit is 1.4 percent of average compensation times years of service up to 25 years. Based on its most recent actuarial report as of 2017, Lemoyne's pension fund was considered "not distressed" under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984). It had assets of \$2,077,255 and liabilities of \$2,224,777 for a fund ratio of 93 percent. Under Act 205, pension fund ratios of 90 percent and above are considered not distressed, while scores of 70 percent to 89 percent are considered minimally distressed. With its current fund status, the Borough is not required to take any remedial actions.

The Borough's pension cost is also offset by state aid provided through a 2 percent tax on foreign casualty insurance. Distributions are based on a unit value determined statewide based on the number of eligible employees and foreign casualty insurance revenues available. Unit values have consistently increased and are now in excess of \$4,000/employee. In 2018, Lemoyne received \$70,379, up from \$68,823 in 2017 and \$65,619 in 2016, to offset its municipal employee pension costs. Given the increasing state aid along with investment returns and the funds current status, pension expenditures are held steady except for wage rate increases. Based on claims experience Unemployment Compensation and Workers' Compensation are also held steady. Minor increases are projected for Uniforms and Other Employee Expense based on inflationary trends.

Table 4-5
 BOROUGH OF LEMOYNE
Personnel Expenditures
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
Salary & Wages	\$416,857	\$429,066	\$441,642	\$452,436	\$463,500	46,643	11.2
Overtime	4,000	4,000	4,000	4,000	4,000	0	0.0
FICA	33,049	34,024	35,028	35,890	36,773	3,724	11.3
Health Insurance	226,782	240,242	254,510	269,634	285,665	58,883	26.0
Life Insurance	10,325	10,325	10,325	10,325	10,325	0	0.0
Pension	52,500	52,500	52,500	52,500	52,500	0	0.0
Unemployment Comp	6,500	6,500	6,500	6,500	6,500	0	0.0
Workers Comp	18,800	18,800	18,800	18,800	18,800	0	0.0
Uniforms	5,026	5,119	5,225	5,332	5,439	413	8.2
Other Employee Expense	10,333	10,520	10,733	10,949	11,163	830	8.0
Total Employee	\$784,173	\$811,097	\$839,262	\$866,366	\$894,665	110,492	14.1

Departmental Expenditures

A review of expenditures on a departmental basis finds that public safety at 47 percent is the largest Departmental expenditure as shown in Table 4-6. It primarily includes the cost for police and fire service provided by the West Shore Regional Police Department and the West Shore Bureau of Fire. These costs are anticipated to rise 10.4 percent by 2023. The second largest expenditure is for the Streets and Parks Department which represents 23 percent of expenditures. It is expected to increase by 11.5 percent over the next five years. General Government at 21 percent is the third largest Departmental expense and is expected to increase by 12.5 percent by 2023. Debt service represents 4.7 percent of expenditures and will remain constant through the period. As noted earlier, debt service is held constant at \$150,500. All other Departments represent 3 percent of expenditures with no unusual increases.

Table 4-6
 BOROUGH OF LEMOYNE
Departmental Expenditures
 2019 to 2023

	2019	2020	2021	2022	2023	Change 2019-2023	
	Estimated	Projected	Projected	Projected	Projected	\$	%
General Government	\$607,426	\$625,380	\$644,665	\$663,838	\$683,589	76,163	12.5
Public Safety	1,373,090	1,410,852	1,449,813	1,489,909	1,531,150	158,060	10.4
Streets & Parks	660,792	679,084	698,559	717,265	736,486	75,694	11.5
Cultural/Economic Development	41,913	42,698	43,591	44,499	45,398	3,485	8.3
Economic Development	41,780	42,576	43,480	44,400	45,311	3,531	8.5
Debt Service	150,500	150,500	150,500	150,500	150,500	0	0.0
Employee Benefits	2,600	2,600	2,600	2,600	2,600	0	0.0
Total Expenditures	\$2,878,101	\$2,953,690	\$3,033,208	\$3,113,011	\$3,195,034	316,933	11.0

Revenue Enhancement and Cost Containment Options

As noted previously, Lemoyne is projected to experience growing deficits starting in 2020. Although the anticipated 2020 deficit is negligible, deficits are expected to continue to grow in the out years, thus the Borough will need to consider actions to mitigate those deficits. Given that it already levies the major Act 511 taxes at their maximum rates, the Borough’s options are limited. The following are recommendations that can mitigate the deficits and bring the Borough’s budget into balance for 2020 through 2023.

Recommendations

- 1. Establish a separate Special Revenue Fund for the millage dedicated for fire services and broaden the language in the ordinance to permit use of the funds for any or all fire related services.** The Borough levies a separate millage of 0.48 mills for fire service. The current ordinance indicates that the levy is for appropriation to the West Shore Bureau of Fire. During 2018, the Borough dispersed \$172,322 for fire services to the West Shore Bureau of Fire, though it ended the year with an unspent fire tax balance of \$129,997. By broadening the language in the ordinance, related expenses such as those for fire hydrants could also be paid, thus shifting these funds from the General Fund.
- 2. Develop and maintain a comprehensive multi-year capital improvement program (CIP).** Although a Capital Reserve Fund is established there is no overall capital plan currently in place and decisions are made based on an immediate need with no long-term plan in place. The Borough should begin a Borough-wide inventory to assess the most

current and critical repair and replacement needs for equipment, buildings and infrastructure and establish a multi-year capital program to address these needs. Development of a sustainable CIP must begin with an assessment of existing capital assets. Borough staff can begin this process, though assistance from the Borough's engineer and other professionals will also be needed. PennDOT's Local Technical Assistance Program can also provide resources to assist with the assessment process.

3. **Transfer \$500,000 from the fund balance in the General Fund to finance the CIP.** As of the end of 2018, the Borough had a fund balance in the General Fund of \$3.2 million, which is more than one year's budget. It further had a fund balance in the Capital Projects Fund of \$430,000. This transfer would provide almost \$1 million to initially implement a comprehensive capital program. It would not jeopardize the General Fund's solvency as even after the transfer there would still be a fund balance of approximately one year's expenditures. The first step in the development of the Capital Improvement Plan would be to engage professional expertise to assist in the development of this plan as noted above.
4. **Establish a minimum fund balance percentage of operating revenue and transfer funds in excess of this to the Capital Reserve Fund.** As a financial policy, the Borough should establish as a goal maintaining a fund balance as a certain percentage of operating revenue. At a minimum, this should be 10 percent, although based on history Lemoyne may want to establish a higher percentage. Funds above the established percentage could then be transferred to the Capital Reserve Fund. This would provide an ongoing funding stream for capital needs as well as maintaining an adequate fund balance to address emergency situations that may occur.
5. **Undertake an RFP process for general liability, property damage, vehicle coverage, errors and omissions, theft, umbrella and workers compensation insurance.** The Borough should engage appropriate professional help to prepare and issue an RFP for its general insurance needs to include general liability, property damage, vehicle coverage, errors and omissions, theft, umbrella and workers compensation insurance prior to the expiration of its current coverages. The RFP should provide for a three-year period of coverage as this provides a reasonable time to account for claims. A review of all assets should occur to ensure that none are missed and that values are current. Likewise, deductibles should be adjusted to a relatively high amount to reduce premiums as the Borough has

resources to account for minor losses. Although the municipal marketplace is a niche market, cost reductions are likely.

6. **Review and update all permit and fees to ensure that the cost of services related to them is covered.** The Borough imposes a number of permits, licenses and fees for various activities including building, zoning, signage, ordinance violations and rental unit registration/inspections. As Borough costs increase it is important to periodically review and update fees related to the services provided to ensure there is a full cost recovery, otherwise general tax revenue must be used to offset the difference.
7. **Ensure provisions of the intergovernmental agreement with Wormleysburg for the West Shore Regional Police Department are followed especially with respect to the budget, cost allocation and financial reporting processes.** The intergovernmental agreement for the provision of police service by the West Shore Regional Police Department provides that the Commission prepare an annual budget and submit it “for consideration and approval” to Lemoyne and Wormleysburg no later than October 1 of each year. If approvals do not occur, the Commission’s prior year’s budget shall be operative until such approvals occur. This process, which provides the Borough with an opportunity to review and discuss the Bureau’s operation with the Commission, has not been followed in recent years. Likewise, the Commission is to provide quarterly financial reports and an annual financial report by March 15 of each year to each Borough. This is an important accountability step to ensure the fiscal integrity of the Bureau.
8. **Ensure provisions of the intergovernmental agreement with Wormleysburg for the West Shore Bureau of Fire are followed especially with respect to the budget, cost allocation and financial reporting processes.** The intergovernmental agreement for the provision of fire service by the West Shore Bureau of Fire provides that “On or before October 1 of each year, the Commission shall prepare and submit to Lemoyne and Wormleysburg an annual budget.” The proposed budget is to reflect all anticipated revenues and expenditures and the amount being requested from each Borough. The Commission’s budget is to be approved by each municipality prior to December 31 or the Bureau’s previous year’s budget is to be applied. This process, which provides the Borough with an opportunity to review and discuss the Bureau’s operation with the Commission, has not been followed in recent years. Likewise, the Commission is to provide quarterly financial reports and an

annual financial report by March 15 of each year to each Borough. This is an important accountability step to ensure the fiscal integrity of the Bureau.

- 9. Ensure provisions of the intergovernmental agreement with Goldsboro, Lewisberry and New Cumberland boroughs and Fairview and Lower Allen townships for the West Shore Recreation Commission are followed especially with respect to the budget, cost allocation and financial reporting processes.** The intergovernmental agreement for the provision of recreation services by the West Shore Recreation Commission provides that the Commission shall prepare and submit an annual budget to all participating municipalities on or before August 31 of each year. The proposed budget is to reflect all anticipated revenues and expenditures for the operation of the Commission. It is also to include the amount of cash necessary or desirable to fund the Commission's operations that are being requested from each participant. Each participant's contribution is to be a percentage of the population of the respective municipality based on the most recent census data. The Commission's budget is to be approved by each municipality prior to September 30. Council approved the budget and requested contribution of \$2.50 per capita for 2019 on September 20, 2018. This is the same per capita contribution as was allocated in 2018. The Commission is also to provide each participant with an annual report and audit of its activities by September 15 of each year. It is likewise important that this process be followed as it provides the Borough with an opportunity to review and discuss the Commission's operation and address any questions or concerns.

- 10. Continue active participation in the Capital Region Council of Governments (COG) and its various programs. Pursue other shared service arrangements with surrounding municipalities.** The Capital Region COG is comprised of 42 municipalities in Cumberland, Dauphin and York Counties. Lemoyne has been an active member of the COG and participates in many of its programs including sale of surplus property, annual salt bids, cable TV franchise negotiation and UCC Appeals Board. The Borough should continue to participate in these programs and pursue other opportunities in the COG.

Lemoyne likewise has utilized the Intergovernmental Cooperation Act to join with Wormleysburg for both police and fire services. This arrangement has benefitted both boroughs and resulted in cost savings compared to each having their own departments. They

also participate with five other municipalities in the West Shore Recreation Commission. The Borough's pool is one of the resources provided to and managed by the Commission.

The Borough is to be commended for embracing all of these initiatives and recognizing the value of cooperative approaches to service delivery. With that said, there are other possible shared services that could be pursued, especially sharing public works equipment and services.

11. **Consider an increase in real estate taxes in 2022 or 2023.** The projected deficit for 2020 of \$818 is minimal and may not occur with prudent management of the budget. With implementation of some of the above recommendations, deficits in 2021 and 2022 could be erased. The Borough's significant fund balance provides a reserve in the event of an economic downturn or emergency occurrence and could be used to close any minimal gaps. By 2023, the projected deficit of \$170,000 may be too great to close even with implementation of the above measures. At that time consideration should be given to a modest increase in real estate taxes. This would provide a five-year interval from the last real estate increase that occurred in 2018. Although the Borough Code authorizes a total property tax rate for general purposes of 30 mills, as stated in Chapter 3, the Borough must remain competitive with other municipalities in the region. The current levy of 3.13 mills is not out of line with other jurisdictions. Each mill of real estate returns an estimated \$533,000 and each 0.1 returns \$53,300 based on the Borough's current assessed value of real estate. Thus a 0.2 mill increase would generate over \$100,000 and, along with the above recommendations, would be sufficient to offset the projected deficit.

CHAPTER 5 ADMINISTRATION REVIEW

Introduction

The Borough of Lemoyne is overseen by a Borough Manager who is the chief administrative officer of the Borough, responsible to Borough Council for the proper and efficient administration of Borough affairs. The Borough Manager (who currently also holds the titles of Borough Treasurer and Borough Secretary) is assisted in the course of day-to-day business by the Assistant Borough Treasurer, a currently-vacant administrative assistant position, one part-time clerk, one code/zoning officer, an MS-4 coordinator, and two Superintendents who manage the Maintenance and Wastewater Treatment Plant Departments.

The Borough Manager's powers and duties include:

- Supervision and responsibility for all municipal department activities;
- Recommend applications for employment to Council;
- Prepare and submit annual budgets and related tax ordinances, and to administer adopted budgets;
- Keeping Council informed of the conduct of Borough affairs, including submission of periodic reports on the condition of Borough finances and other reports as Council requests;
- Preparation of Council agendas;
- Act as purchasing officer for the Borough for all supplies and equipment for Borough agencies, boards and departments in accordance with Borough Code;

Financial Administration

The Borough Manager (as acting Borough Treasurer) and the Assistant Borough Treasurer are responsible for the Borough's accounting and treasury functions, which includes maintenance of the general ledger, paying obligations due, depositing monies received into the Borough's bank accounts and preparing payroll. The Manager and Assistant Treasurer are assisted in these processes by a part-time clerk. There is also a vacant administrative assistant position. The Borough executes its accounting and other financial responsibilities through the use of Caselle financial software, a product of the Pottstown-based Dallas Data Systems. The

Borough has licenses for a number of Caselle system modules including accounts payable, annual budget, utility billing and payment processing.

Personnel costs for administration (listed as the Executive Department in Borough financial records) as shown in Table 5-1 have grown from \$143,885 in 2014 to \$268,007 in 2018, an 86 percent increase. However, a substantial proportion of these increases are accounting-based, as the Borough began to charge the Code Enforcement Officer’s salary costs to the Executive Department’s Salary and Wages line item.

Table 5-1
BOROUGH OF LEMOYNE
Executive Department General Fund Employee Expenditures
2014-2018

	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Actual	\$	%
Salary & Wages	\$99,974	\$92,583	\$76,366	\$106,825	\$145,701	45,727	45.7
Health Insurance	28,520	40,132	104,060	100,830	81,260	52,740	184.9
Pension	0	0	18,855	18,240	21,949	21,949	100.0
FICA	7,803	7,037	5,780	7,950	11,405	3,602	46.2
Life Insurance	1,465	897	3,561	2,397	3,167	1,702	116.2
Other Employee Expense	3,005	1,975	2,039	890	1,884	-1,121	(37.3)
Workers Comp	0	2,139	799	757	1,390	1,390	100.0
Unemployment Comp	3,088	1,063	3,105	2,194	1,250	-1,838	(59.5)
Employee Total	\$143,855	\$145,826	\$214,565	\$240,082	\$268,007	124,152	86.3

Non-employee administration expenditures in Table 5-2 are headlined by Professional Services costs (e.g., accounting/auditing services, information technology services) and Communications Expense (e.g., internet, telephone and web site maintenance), which together have accounted for the majority of Administration non-employee expenditures each fiscal year since 2015.

Table 5-2
 BOROUGH OF LEMOYNE
Executive Department General Fund Non-Employee Expenditures
 2014-2018

Category	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Actual	\$	%
Professional Services	9,615	22,676	20,054	23,980	16,132	6,517	67.8
Communications Expense	4,414	8,048	7,573	6,302	9,818	5,404	122.4
Other Expense	508	5,202	3,494	10,110	4,554	4,046	796.4
Office Supplies	24,787	14,036	3,829	7,902	3,184	-21,603	(87.2)
Maintenance Contracts	297	3,214	3,161	3,255	2,476	2,179	733.6
Insurance	299	0	836	2,351	2,351	2,052	686.3
Advertising	3,930	2,154	2,397	3,948	1,679	-2,251	(57.3)
Memberships, Dues, Subscriptions	1,859	791	1,904	488	1,559	-300	(16.2)
Postage	1,699	845	320	596	480	-1,219	(71.8)
Repairs & Maintenance	400	0	0	0	0	-400	(100.0)
Other Operating Expense	7,700	2,440	0	0	0	-7,700	(100.0)
Non-Employee Total	55,508	59,405	43,569	58,931	42,232	-13,276	(23.9)

Tax Collection, Accounts Receivable and Payment Processing

Borough real estate taxes are collected by the municipal Tax Collector who maintains office hours at the Borough Building on Tuesdays and Wednesdays. Delinquent real estate taxes are collected by the Cumberland County Tax Claims Bureau. Local service and earned income taxes are collected on the Borough’s behalf by the Cumberland County Tax Bureau.

The Borough bills and collects payments for the Lemoyne Wastewater Treatment Plant and conveyance system. Administration staff is currently transitioning from Diversified Technology Corporation software to the Caselle system for this utility processing. As of this report, Borough officials have noted difficulty with this transition, citing limited training from the vendor and issues with billing processes. An analysis of the contract licensing for the Caselle utility billing modules found the “Total Training and Setup” quote of \$750 to be very low for a proper transition between utility billing software platforms. Industry standard for utility billing implementations usually includes several opportunities for training and parallel testing of billing cycles to ensure accuracy in data conversion and system setup.

Administration staff accepts cash, check, and credit card payments for all non-sewer payments (e.g., facility rentals, building permits, code violations). The Borough currently uses

MuniciPAY, an electronic payment processing system, for over-the-counter credit card payments for non-sewer transactions. Only check and cash are accepted for over-the-counter sewer payments; credit card payments are available online. Automatic withdrawal is also available for sewer payments.

Procurement and Accounts Payable

The Borough does not currently utilize a purchase order process (paper or electronic) for the procurement of goods and services. However, the Borough maintains a policy that any purchase of \$500 or greater cannot be made without prior approval from the Borough Manager. In addition, the Borough currently uses a Bank of Montreal purchasing card for routine hardware purchases at local vendors.

Because the Borough does not use a purchasing module within their financial system, the Borough does not encumber funds when these purchase agreements are made. As a result, the Borough cannot reliably know at any one time how much of a particular line item is already accounted for with upcoming purchase commitments until an invoice is received. This also has the effect of understating financial commitments in budgetary reports throughout the year.

Accounts payable invoices are typically received by the purchasing department, which remits the invoice to the Assistant Borough Treasurer for payment processing. Payments are approved by Borough Council and checks are typically generated twice a month. The Borough does not currently utilize Automated Clearing House (ACH) Network payment processing with its vendors.

Payroll Processing and Human Resource

The municipality uses PayChex, a publicly traded company headquartered in Rochester, N.Y., for its payroll administration and biweekly payroll processing needs. However, the Borough does not currently utilize the company's time and attendance offerings to track employee time, which is still a manual process that includes the use of manual punch cards at the Maintenance Garage. Department supervisors aggregate employee hours into spreadsheets and provide them to the Borough Manager (and to the Assistant Borough Treasurer in the absence of the Borough Manager) for the payroll cycle. Where applicable, these spreadsheets allocate employee time across various activities; for example, Borough timesheet samples provided for

Maintenance staff provide breakouts for time devoted to highway maintenance, parks, stormwater, pool and office maintenance.

These supervisor-approved timesheets are provided to the Borough Manager and Assistant Treasurer, who in turn forward the timesheets and other pertinent payroll notes to PayChex for data entry. The company then sends the Administration staff payroll registers and other payroll reports to verify for accuracy before the payroll payments are released.

Internal Human Resources (HR) services are limited, common for a Borough of this size. The Borough Manager oversees and directly executes these services, typically in the form of onboarding new hires and processing open enrollment and employee benefit updates. The Borough recently contracted with HR Resolutions to develop a uniform employee handbook, an essential document to communicate with personnel what is expected of them in the workplace, to educate employees of their rights and responsibilities, to outline key policies and procedures, and to protect the municipality from litigation.

Information Technology

General Information Technology (IT) services, which include server and workstation hardware maintenance, software updates, antivirus and content filtering services, help desk support and IT capital planning assistance is provided by a third party contractor, Lemoyne-based SplashWire. The authors of this report were not able to speak with SplashWire representatives for a detailed analysis of the Borough infrastructure.

There are, however, noted IT needs that the Borough will have to address in the short-term with their IT consultant. Several workstations used by staff were noted to be older and in need of replacement. Although the municipal garage has internet access, the garage is not connected to the Borough network, precluding the Maintenance Supervisor from accessing shared drives with Administration or accessing the Borough's administrative systems (e.g. Caselle financial system, iWorQ code and zoning program) that might be convenient in the course of day-to-day operations.

Additionally, Borough officials were notified by Dallas Data Systems of the Caselle system's updated minimum specification requirements, which will require a minimum of Windows 10 for workstations and Windows Server 2012 or 2016 by January 31, 2020. Since the Borough's Caselle system is currently run on a Microsoft Server 2008 R2, Borough officials will

have to work with their IT consultants to ensure proper migration to a new server by the updated requirements deadline.

As further detailed in the Public Works Chapter, information technology is one facet of capital for which the Borough should begin to develop a multi-year capital plan to prioritize and identify funding streams for required capital improvements in the coming years.

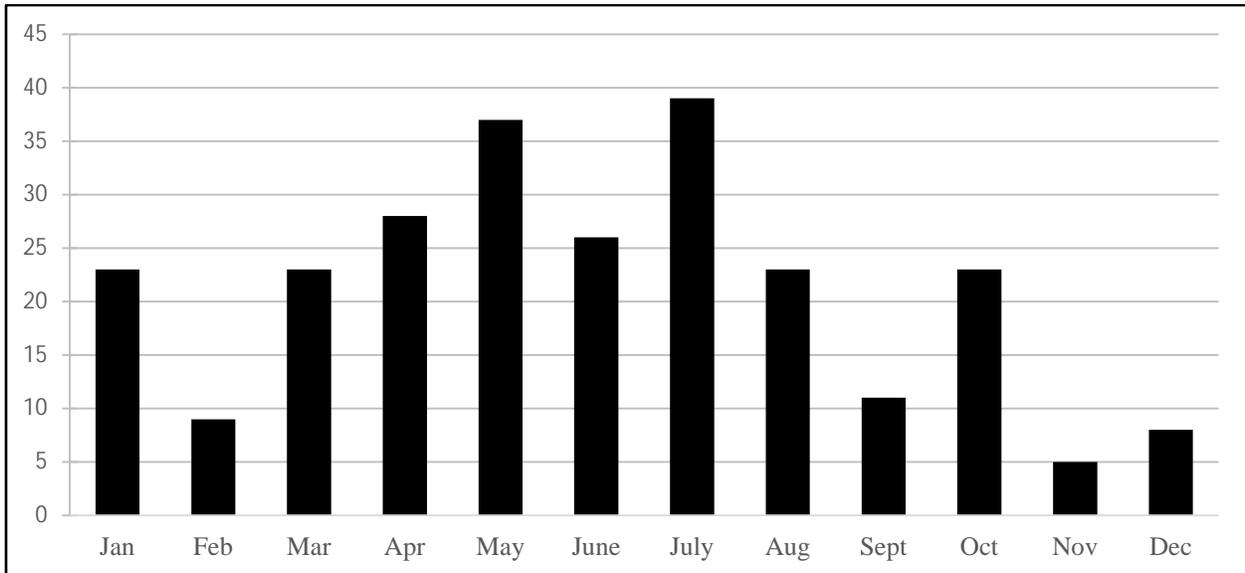
Code Enforcement

The Borough uses iWorQ to manage various code enforcement and building permit processes such as issuing permits, tracking code violations and receipting payments against the various permits and code violations that are issued.

The Borough's code enforcement activities were revitalized in 2016 when the part-time Code Officer position was replaced with a full-time position. This shift was made, in part, with the anticipation of increased code enforcement workload due to the passage of a residential rental unit registration and inspection program ordinance. Per this ordinance, all residential rental units shall register with the Borough annually. All new units are subject to an initial inspection; subsequent inspections are based on random selection of 10 percent of the units registered in a given Borough precinct. When a unit is randomly selected and passes inspection, the unit is excluded from the random selection pool for the next two inspection cycles.

According to the United States 2010 Decennial Census, 46 percent of Lemoyne occupied housing units were renter-occupied, a rate 15 percent higher than the Harrisburg-Carlisle metropolitan statistical area (MSA) and the Commonwealth of Pennsylvania generally. Borough records show 1,060 residential rental units registered in 2018, which hints at a marginal increase in the renter-occupied rate since the 2010 Census. The Borough's Code Officer was instrumental in building the rental registration database from scratch while also putting more effort towards citing code violations and bringing cases to the local magistrate. The Borough cited 255 violations in the 2018 calendar year; Graph 5-1 below shows the distribution of these violations by month.

Graph 5-1
BOROUGH OF LEMOYNE
Code Violations by Month
2018



Borough records show that the distribution of these violations are diverse as depicted in Table 5-3, with occupation of a rental property without registration, high grass, rubbish/trash, and abandoned vehicles representing half of all violations cited since the Borough began tracking such information in the iWorQ software system.

Table 5-3
 BOROUGH OF LEMOYNE
Code Violations by Type
 September 2017 to May 9, 2019

Violation Type	Count	Percent (%)
693-903.1 Occupancy w/o cert. of compliance or registration	53	16.9
693-302.4 High grass	40	12.8
693-308.1 Rubbish/trash	37	11.8
693-302.8 Abandoned Vehicle	27	8.6
21-501 Snow/slush/ice removal Responsibility of owners	25	8.0
693-603.1 Mechanical Equipment	24	7.7
21-405 (8) Sidewalks/Curbs	20	6.4
742-104 False Fire Alarm	9	2.9
744-804.4 On-Lot Septic system inspections	9	2.9
18-403 Interceptors/ grease pits	6	1.9
550-48 Outdoor Stockpiling	4	1.3
693-305.3 Interior Surfaces	4	1.3
693-304.10 Stairways, Decks, Porches and Balconies	4	1.3
10-102 Clearance over Streets/sidewalks	4	1.3
693-605.2 Receptacles	3	1.0
693-R105.1 Permits Required	3	1.0
693-704.2 Smoke Alarms	3	1.0
693-404.5 Overcrowding	3	1.0
693-304.13 Window, skylight and door frames	3	1.0
Other Violation Types	32	10.2
Total	313	100.0

The Borough also uses the iWorQ system to process building permits. During the same time period, the Borough issued 360 permits as further detailed in Table 5-4 below.

Table 5-4
 BOROUGH OF LEMOYNE
Permits Issued by Type
 September 2017 – May 9, 2019

Permit Type	Count	Percent (%)
Building	158	43.9
Zoning	58	16.1
Street Cut	51	14.2
Handicap Parking	32	8.9
On Lot Septic	23	6.4
Sign	22	6.1
Land Development	5	1.4
Sewer Lateral	4	1.1
Demolition	4	1.1
Certificate of Occupancy	2	0.6
Street Cafe	1	0.3
Total	360	100.0

The expenditure data for code enforcement (listed as the Protective Inspection Department in Borough financial records) shown in Table 5-5 reflects the increased focus on these activities starting in 2016 when employee-related expenditures jumped to over \$38,000 from approximately \$4,800 the previous year prior. There was a subsequent increase to \$61,900 in 2017 during the first full fiscal year of employing a full-time Code Officer. Non-employee expenditures illustrated in Table 5-6 have fluctuated between \$4,872 and \$8,284 in the last four fiscal years, with a majority of those costs related to the licensing of the iWorQ system.

Table 5-5
BOROUGH OF LEMOYNE
Protective Inspection Department General Fund Personnel Expenditures
2014-2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Salary & Wages	\$7,554	\$3,926	\$30,500	\$45,181	\$0	-7,554	(100.0)
Pension	0	0	0	6,100	0	0	(100.0)
FICA	268	300	2,486	3,656	0	-268	(100.0)
Health Insurance	0	0	2,000	2,600	0	0	(100.0)
Other Employee Expense	150	89	1,029	1,879	1,224	1,074	716.0
Life Insurance	0	0	833	970	0	0	(100.0)
Uniforms	0	0	462	648	317	317	100.0
Unemployment Comp	16	162	660	488	0	-16	(100.0)
Workers Comp	0	276	479	379	0	0	(100.0)
Personnel Total	\$7,988	\$4,753	\$38,450	\$61,900	\$1,541	-6,447	(80.7)

Of particular note is the drop in employee expenditures between 2017 and 2018 shown in Table 5-5. This is not due to a change in staffing, but rather a shifting of recorded employee costs to the Executive Department employee line items. Software costs represent the largest nonemployee cost category for the department in 2017 and 2018.

Table 5-6
 BOROUGH OF LEMOYNE
Protective Inspection Department General Fund Non-Personnel Expenditures
 2014-2018

	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Actual	\$	%
Software Purchase	\$0	\$0	\$0	\$4,600	\$3,800	3,800	100.0
Communications Expense	0	1,414	1,137	1,137	1,139	1,139	100.0
Postage	146	28	337	518	541	395	270.7
Vehicle Expense	0	174	608	459	1,262	1,262	100.0
Office Supplies	478	2,036	1,077	407	310	-168	(35.2)
Permit Fees	44	152	457	351	151	107	243.2
Memberships, Dues, Subscriptions	105	105	0	230	254	149	141.8
Professional Services	0	3,988	1,256	0	827	827	100.0
Non-Personnel Total	\$773	\$7,897	\$4,872	\$7,702	\$8,284	7,511	971.7

Table 5-7 below consolidates the employee and non-employee expenditures detailed in the previous two tables while also estimating the employee costs for the department had its costs not been moved to the Executive Department. This adjustment estimates costs of over \$70,000 for the 2018 fiscal year.

Table 5-7
 BOROUGH OF LEMOYNE
Protective Inspection Department General Fund Expenditures
With Estimated 2018 Employee Subtotal
 2014 – 2018

	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Estimated	\$	%
Personnel Total	\$7,988	\$4,753	\$38,450	\$61,900	\$63,468	55,480	694.5
Non-Personnel Total	773	7,897	4,872	7,702	8,284	7,511	971.7
Department Total	\$8,761	\$12,650	\$43,322	\$69,602	\$71,752	62,991	719.0

It is common for municipalities to structure their rental registration and inspection fees to recover the costs associated with code enforcement activities. However, a review of revenue figures in Table 5-8 shows that the Borough only recoups approximately \$11,000 annually in registration and inspection fees. Registration fees are currently set at \$10 per year per unit which, according to the Borough’s 2018 Fee Schedule Resolution, covers “...the registration and the

initial and/or cycle inspection.” In the event that a rental unit fails inspection, its re-inspection fee is currently set at \$35 per unit.

Table 5-8
BOROUGH OF LEMOYNE
Rental Unit Registration / Inspection Fee Revenue
2014 – 2018

	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Actual	\$	%
Rental Unit Registration/ Inspection Fees	\$0	\$0	\$6,290	\$11,690	\$10,245	10,245	100.0

Planning and Zoning

The Borough has a five-member Planning Commission that is responsible for land development application review and recommends to Borough Council “... the boundaries of the various classifications of zoned areas within the Borough” pursuant to Chapter 73 of the Borough of Lemoyne Code. Additionally, Chapter 550 of the Code establishes the Zoning Hearing Board, a five-member board that meets on an as-needed basis to review land use applications and appeals.

The Borough revised its zoning map in 2012 with the assistance of the Cumberland County Planning Department and Rettew Associates in an effort to align the zoning ordinance with the Borough’s comprehensive plan. Borough officials have noted that, while the zoning ordinance changes were overdue, the map has created a number of incongruities between current use and zoning that has increased zoning appeal activity. The Borough should consider identifying the extent of these incongruities, potentially by comparing County parcel records to zoning map districts.

Parks and Recreation

The Borough is a contributing municipality to the West Shore Recreation Commission (WSRC), a regional parks and recreation program entity that provides numerous recreational opportunities for youth and adults in the region. Based on Commission records, the WSRC receives contributions from Lemoyne and five other member municipalities totaling \$110,685 for the 2019 budget year; Lemoyne’s annual contribution to the WSRC has remained consistent at

\$11,838 annually since 2016. Programmatic and pool management revenue constitutes the majority of WSRC revenues, budgeted to rise over \$433,000 in 2019.

Given the regionalization of the parks and recreation programmatic function, the Borough’s parks and recreation activities are exclusively centered on maintenance and upkeep of park facilities. Overall General Fund park expenditures shown in Table 5-9 have fallen 65 percent since 2014 due to a reduction in employee and capital expenditures.

Table 5-9
BOROUGH OF LEMOYNE
Parks Department General Fund Expenditures
2014 – 2018

Type	Category	2014	2015	2016	2017	2018	Change 2014-18	
		Actual	Actual	Actual	Actual	Actual	\$	%
Personnel Expenditures	FICA	\$1,533	\$0	\$0	\$0	\$0	-1,533	(100.0)
	Unemployment Comp	16	0	0	0	0	-16	(100.0)
	Salary & Wages	19,991	28,883	31,930	41,054	0	-19,991	(100.0)
	Employee Subtotal	21,540	28,883	31,930	41,054	0	-21,540	(100.0)
Non-Personnel Expenditures	Rentals	2,574	1,354	3,045	4,901	5,098	2,524	98.1
	Repairs & Maintenance	8,576	4,127	4,301	4,198	4,161	-4,415	(51.5)
	Electricity	3,567	4,539	3,263	3,325	3,286	-281	(7.9)
	Operating Supplies	2,470	5,500	5,482	3,593	3,230	760	30.8
	Vehicle Expense	1,319	797	688	1,064	1,100	-219	(16.6)
	Water	405	546	2,250	326	565	160	39.4
	Capital	9,999	0	0	0	0	-9,999	(100.0)
	Nonemployee Subtotal	28,910	16,863	19,029	17,408	17,441	-11,469	(39.7)
Department Total	\$50,450	\$45,746	\$50,959	\$58,462	\$17,441	-33,009	(65.4)	

However, the reduction in park employee expenditures above is due to changes in how the Borough recognizes salary expenditures items. Starting in 2018, all maintenance costs (janitorial, borough office maintenance, highway maintenance, parks and pool maintenance) were charged solely to the 01.430.140 Salaries - Highway Maintenance line item. Payroll distribution data from 2018 suggests that employees spent 2,387 hours on parks-related maintenance work, constituting \$54,957.26 in salary expenditures; combined with an approximate \$4,200 in FICA, this would suggest that Parks maintenance-related expenditures reached their highest point in 2018 as shown in Table 5-10.

Table 5-10
 BOROUGH OF LEMOYNE
Parks Department General Fund Expenditures
With Estimated 2018 Employee Subtotal
 2014 – 2018

	2014	2015	2016	2017	2018	Change 2014-18	
	Actual	Actual	Actual	Actual	Estimated	\$	%
Employee Subtotal	\$21,540	\$28,883	\$31,930	\$41,054	\$59,161	37,621	174.7
Nonemployee Subtotal	28,910	16,863	19,029	17,408	17,441	-11,469	(39.7)
Department Total	\$50,450	\$45,746	\$50,959	\$58,462	\$76,602	26,152	51.8

The Borough owns and maintains the Lemoyne Community Pool at 94 Herman Avenue. The facility is owned and maintained by the Borough while the day-to-day management and staffing of the facility is contracted to the WSRC. Revenue and expenditure information regarding pool operations are maintained as a separate enterprise fund seen in Table 5-11.

Headline revenue and expenditure figures for the Pool Fund are listed below. Revenues have increased 11 percent from 2014 to 2018; expenditures peaked in 2016 and have fallen back down to approximately \$90,000 in 2018. The Fund’s 2018 surplus of \$12,081 was the highest in the previous five fiscal years.

Table 5-11
 BOROUGH OF LEMOYNE
Reported Pool Fund Revenue, Expenditures and Surplus/Deficit
 2014 – 2018

	2014	2015	2016	2017	2018	Change 2014-2018	
	Actual	Actual	Actual	Actual	Actual	\$	%
Revenues	\$91,624	\$96,210	\$105,566	\$97,581	\$101,967	10,343	11.3
Expenditures	88,707	98,813	106,178	97,225	89,886	1,179	1.3
Surplus/(Deficit)	\$2,917	-\$2,603	-\$612	\$356	\$12,081		

However, several important notes must be made with regard to Pool Fund revenue and expenditures to understand the fund’s true financial outlook. First, the Borough has made several transfers into the Pool Fund from the General Fund over the last five fiscal years, totaling \$38,000 between 2014 and 2017. Without these transfers, the Pool Fund would have run deficits annually until 2018. Operating revenue as depicted in Table 5-12 has increased from nearly \$80,000 in 2014 to \$101,689 in 2018 (a 27.9 percent increase). Daily walk-in passes represent the largest operating revenue stream, reaching a total of \$48,000 in 2018. This revenue stream is

also most susceptible to weather fluctuations, which may partially explain the drop in 2017 when compared to 2016 and 2018. Family passes represent the next largest operating revenue stream in the Pool Fund, reaching \$29,000 in 2018.

Table 5-12
BOROUGH OF LEMOYNE
Pool Fund Revenue by Type
2014 – 2018

Type	Category	2014	2015	2016	2017	2018	Change 2014-18	
		Actual	Actual	Actual	Actual	Actual	\$	%
Operating Revenue	Daily Walk-in Passes	\$33,158	\$46,045	\$45,714	\$38,396	\$48,023	14,865	44.8
	Family Passes	26,653	23,948	25,755	26,838	29,050	2,397	9.0
	Group Sales	11,690	13,030	11,375	14,375	15,400	3,710	31.7
	Adult Passes	2,318	3,270	2,960	3,555	2,865	547	23.6
	Popsicles	2,021	3,025	2,761	2,873	2,271	250	12.3
	Senior Citizen Passes	1,085	1,100	890	1,530	2,100	1,015	93.5
	Parties	2,295	1,090	550	1,820	1,635	-660	(28.8)
	Vending Machine Receipts	276	411	471	318	346	70	25.3
	Operating Revenue Subtotal	79,496	91,918	90,475	89,705	101,689	22,193	27.9
Non-Operating Revenue	Interest Earnings	12	12	10	23	175	163	1,361.2
	Miscellaneous	116	280	81	442	102	-14	(12.1)
	Non-Operating Subtotal	128	292	91	465	277	149	116.7
Transfer from General Fund	12,000	4,000	15,000	7,411	0	-12,000	(100.0)	
Total Pool Fund Revenue	\$91,624	\$96,210	\$105,566	\$97,581	\$101,967	10,343	11.3	

The Borough increased all season pass rates by five dollars for the 2019 season. Table 5-13 shows the charge for passes sold; resident family plans start at \$130 for a family of two (non-residents: \$185) and progress with the size of the family.

Table 5-13
BOROUGH OF LEMOYNE
Season Pass Rates by Type
2019

Season Pass - Type	Resident (\$)	Non-Resident (\$)
Individual Plan	85	140
Family of 2	130	185
Family of 3	140	195
Family of 4	150	205
Family of 5	170	225
Family of 6	190	245
Each Additional Family Member	25	30
Senior Citizen (60+)	45	70

Borough records indicate that non-resident season pass sales actually outnumber resident passes for each of the last three seasons. Table 5-14 shows that family passes constitute the vast majority of passes sold each season with 672 family passes in 2018, while individual and senior passes combined for 58 sales last year.

Table 5-14
 BOROUGH OF LEMOYNE
Season Passes Sold by Type and Year
 2016 – 2018

Year	Type	Family Passes	Individual Passes	Senior Passes	Total
2016	Non-Resident	308	12	11	331
2016	Resident	286	15	9	310
2016 Total		594	27	20	641
2017	Non-Resident	337	19	18	374
2017	Resident	267	13	8	288
2017 Total		604	32	26	662
2018	Non-Resident	367	19	18	404
2018	Resident	305	13	8	326
2018 Total		672	32	26	730

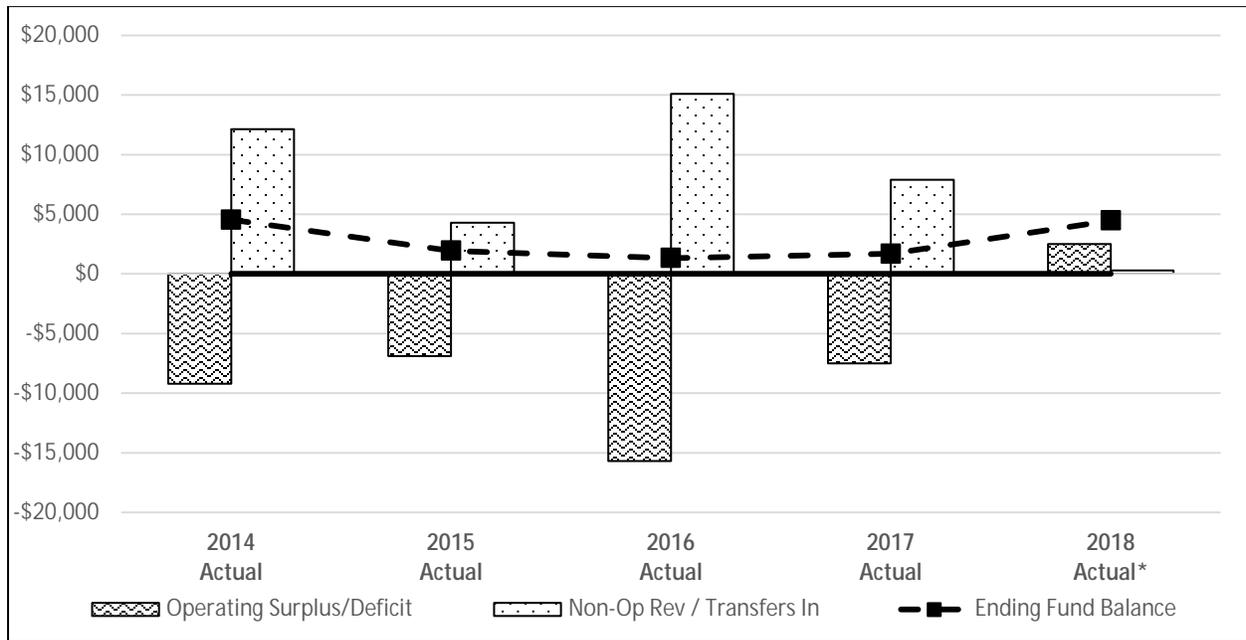
As noted earlier in this chapter, the Borough began charging all maintenance costs, including pool maintenance, to the General Fund 01.430.140 Salaries - Highway Maintenance line item. This has had the impact of slightly understating pool-related expenditures within the Borough. Payroll distribution data provided by Borough officials indicates that 339 hours of maintenance was devoted to the pool facility in 2018 for a total salary cost of \$8,638. Including FICA, this constitutes \$9,299 of pool-related expenses not charged to the Pool Fund.

Table 5-15 and Graph 5-2 present the finances of the Pool Fund while reflecting the above considerations. Fiscal year 2018 was the first year where pool operating revenues covered the full cost of pool operating expenditures during the historical review period. Prior to 2018, a positive fund balance was dependent upon transfers from the General Fund.

Table 5-15
 BOROUGH OF LEMOYNE
Pool Fund Revenue, Expenditures and Surplus/Deficit
 2014 – 2018

	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Estimated*
Beginning Fund Balance	\$1,629	\$4,546	\$1,943	\$1,331	\$1,687
Operating Revenues	79,496	91,918	90,475	89,705	101,689
Operating Expenses¹	88,707	98,813	106,178	97,225	99,185
Operating Surplus/Deficit	-9,211	-6,895	-15,703	-7,520	2,505
Non-Op Rev / Transfers In	12,128	4,292	15,091	7,876	277
Surplus/Deficit	2,917	-2,603	-612	356	2,782
Ending Fund Balance	\$4,546	\$1,943	\$1,331	\$1,687	\$4,469

Graph 5-2
 BOROUGH OF LEMOYNE
Pool Fund Revenue, Expenditures and Surplus/Deficit
 2014 – 2018



The Borough’s decision to modestly increase pool pass rates by \$5 across all pass types will help the Pool Fund maintain a positive operating surplus. The Borough should consider marginal increases to daily and seasonal passes to build a modicum of positive fund balance to avoid General Fund transfers and to help cover capital improvements as they arise. The Borough

¹ 2018 Operating Expenses include \$9,299 in Salary and FICA originally charged to General Fund

should also restart the practice of charging maintenance salary costs to the Pool Fund to provide a more accurate picture of its full costs to the municipality.

Recommendations

1. **Implement a Purchase Order System in Financial System.** Implementing a purchase order system within the Borough's financial software suite will ensure proper oversight of Borough funds and, with the addition of encumbrance accounting, provide stakeholders a more accurate picture of financial commitments in real time. The Borough should reach out to its financial accounting software system provider (Dallas Data Systems) to ascertain the costs, both in licensing and training, of implementing a Purchase order system to account for this activity in their 2020 budget.
2. **Move Code Officer and Parks employee costs back under proper department.** The Borough should move employee expenditures for code enforcement back to the Protective Inspection Department to provide a more accurate depiction of the costs of these activities to council, citizens and other stakeholders. The Borough still collects payroll hours in this fashion, so reverting to this accounting would not require significant change to the course of day-to-day operations.
3. **Move Pool Maintenance employee costs back into the Pool Fund.** The Borough should move employee expenditures associated with staff time devoted to pool maintenance back into the Pool Fund to provide a more accurate depiction of the costs of pool costs to council, citizens and other stakeholders.
4. **Solicit information on PayChex electronic timesheet/timekeeping offerings.** The Borough's timekeeping processes are very manual in nature, and require PayChex, to enter this employee-level timesheet data into the PayChex system. The Borough should solicit information on PayChex electronic timesheet or timekeeping offerings to weigh the added costs of these features with the reduced staff time processing bi-weekly payroll cycles.
5. **Increase Rental Inspection fees to recoup costs of the Protective Inspection Department.** It is common for municipalities to structure their rental registration and inspection fees to recover the costs associated with code enforcement activities.

However, a review of revenue figures shows that the Borough only recoups approximately \$11,000 annually in registration and inspection fees. Registration fees are currently set at \$10 per year per unit which, according to the Borough's 2018 Fee Schedule Resolution, covers "...the registration and the initial and/or cycle inspection."

CHAPTER 6 PUBLIC WORKS REVIEW

Introduction

The Borough of Lemoyne's various public works functions are carried out by the Maintenance and Sewer Departments, managed by the Maintenance Superintendent and the Wastewater Treatment Plant Superintendent, respectively. Highway maintenance and related activities are funded mostly through the General Fund, followed by the Borough's Liquid Fuels Fund and burgeoning Stormwater Fund. Revenues supporting Sewer Department activities are raised through sewer system account fee receipts in the Borough's Sewer Fund.

The Maintenance Department is staffed by five full-time employees: the aforementioned Superintendent, one mechanic, and three maintenance workers. The Sewer Department is staffed by the Wastewater Plant Superintendent, one Assistant Supervisor, one chemist, and two sewer worker positions (five full-time employees). The maintenance worker, mechanic, chemist, and sewer worker positions are members of a collective bargaining unit under the American Federation of State, County and Municipal Employees (AFSCME) District Council 89, with an active agreement that runs January 1, 2019 through December 31, 2021.

In addition to these positions, the Borough created and filled the Municipal Separate Storm Sewer System (MS-4) Coordinator position in 2019 to manage the reporting and coordination aspects of the Pennsylvania Department of Environmental Protection's (DEP) stormwater requirements. The MS-4 Coordinator inspects stormwater infrastructure, clears inlets with the assistance of one Maintenance Department employee, and otherwise provides the day-to-day operational work to keep the Borough in compliance with state stormwater regulations.

Public Works Expenditures

The Borough's General Fund breaks down Maintenance Department and related public works costs into various departments as seen in Table 6-1. Highway maintenance employee expenditures have increased 43 percent over the last five years. However, most of the stated increase is from 2017 to 2018 when the Borough started reporting employee costs previously charged to parks, office maintenance and pool maintenance line items to the Highway Maintenance line items.

Street Lighting and the Highway Maintenance Department represent the largest cost centers for non-employee expenditures. Street Lighting expenditures are exclusively Borough costs, which fell 13 percent from 2014 to 2018. Highway Maintenance non-employee costs include vehicle maintenance costs, property/liability insurance and supplies.

Table 6-1
 BOROUGH OF LEMOYNE
Public Works Related General Fund Expenditures
 2014-2018

		2014	2015	2016	2017	2018	Change 2014-18	
Type	Department	Actual	Actual	Actual	Actual	Actual	\$	%
Employee Expenditures	HW Maintenance	\$323,470	\$321,538	\$352,000	\$359,356	\$462,564	139,094	43.0
	Stormsewers & Drains	0	50,000	0	0	0	0	(100.0)
	Employee Total	\$323,470	\$371,538	\$352,000	\$359,356	\$462,564	139,094	43.0
Non-Employee Expenditures	Street Lighting	90,154	91,463	88,994	83,542	78,198	-11,956	(13.3)
	HW Maintenance	63,346	60,758	62,831	64,348	63,014	-332	(0.5)
	Repairs/Maintenance	57,614	47,605	36,056	12,371	35,106	-22,508	(39.1)
	Traffic Signals & Street Signs	9,900	22,452	12,579	29,339	25,569	15,669	158.3
	Cleaning Streets & Gutters	3,273	5,219	3,235	4,452	7,644	4,371	133.5
	M&R Highways/Bridges	2,965	9,069	4,155	123,389	2,494	-471	(15.9)
	Building/Plant	0	192	0	0	0	0	(100.0)
	Stormsewers & Drains	1,103	2,844	742	0	0	-1,103	(100.0)
	Sidewalks & Crosswalks	0	0	346	132	0	0	(100.0)
	Non-Employee Total	\$228,355	\$239,602	\$208,938	\$317,574	\$212,024	-16,331	(7.2)
Public Works Total		\$551,825	\$611,140	\$560,938	\$676,929	\$674,588	122,763	22.2

Streets and Parks Maintenance

The Maintenance Department is responsible for the upkeep of 19.88 miles of roadway, all of which comprises the Borough’s Act 655 Liquid Fuels roadway inventory for state funding allocations. The road network is maintained in a number of ways including paving and patching roads, street salting and snow plowing during winter weather events, and seasonal street sweeping. Street rehabilitation and reconstruction projects are outsourced to private contractors through competitive bidding processes. The Borough is allocated \$157,933 in Liquid Fuels for the 2019 fiscal year and almost exclusively used its Liquid Fuels allotments for road construction projects between 2014 and 2018 as shown in Table 6-2.

Table 6-2¹
 BOROUGH OF LEMOYNE
Liquid Fuels Fund Expenditures
 2014-2018

Liquid Fuels Expense Category	2014	2015	2016	2017	2018
Road and Bridge Maintenance/Repair	—	—	\$19,580	—	—
Highway Construction and Rebuilding Projects	89,924	170,254	229,900	9,286	188,348
Other	—	—	185	—	—
Total	\$89,924	\$170,254	\$249,665	\$9,286	\$188,348

During snow events, Streets Maintenance staff divides the municipality approximately into halves; with two trucks plowing in each section of the Borough while a fifth truck plows alleys and parking lots. The Department began using brine as an alternative de-icing and winter weather road medium in 2014 after consulting with a neighboring municipality that had experience with brine solutions. Table 6-3 shows that using brine in the de-icing process has helped the Borough reduce materials costs by more than a third when compared to 2014 figures.

Table 6-3
 BOROUGH OF LEMOYNE
Winter Maintenance Operating Materials Expenditures
 2014-2018

	2014	2015	2016	2017	2018	Change 2014-18	
Category	Actual	Actual	Actual	Actual	Actual	\$	%
Brine Purchases	0	210	566	878	635	635	100.0
Road Salt/Anti-Skid Stone	54,317	44,172	19,769	11,232	33,344	-20,974	(38.6)
Subtotal	54,317	44,382	20,335	12,110	33,978	-20,339	(37.4)

Brining reduces road salt needs but does not eliminate it; the municipality still estimates it will spend \$36,500 on the material in 2019. From a capital perspective, Borough officials have noted that the salt shed is deteriorating, having been originally constructed with untreated wood and T1-11 siding. As the Capital Planning section will detail, needs such as these should be accumulated in a capital plan in the coming years.

The highway staff is also responsible for the maintenance of the Borough’s park infrastructure, which includes nearly 35 acres of land with numerous pavilions, playground areas, and courts/fields for sport recreation. Borough officials note that playground equipment is

¹ Figures derived from Pennsylvania Auditor General Liquid Fuels reports and may deviate from Borough records due to timing of expenditure payments

a mixture of newer equipment and older fixtures; the Maintenance Department seasonally sandblast, re-paint and refurbish older equipment as needed. Additionally, the Borough offers park pavilion rentals within Negley, Memorial, and Maple Street Parks for parties and other activities (\$50 a day for residents, \$100 for non-residents). Table 6-4 depicts the Borough’s park system.

Table 6-4
 BOROUGH OF LEMOYNE
Borough Park Acreage and Amenities

Park	Acreage	Notes and Amenities
Negley	16.98	Pavilions for rent, basketball and tennis/pickleball courts, scenic overlook
Memorial	8.76	Gazebo, pavilion for rent, playground, baseball field
Frazier	4.00	Passive park
Schell	1.54	Playground equipment, basketball court and picnic tables
Maple	0.99	Pavilion for rent, playground, basketball court
Woodside	0.78	Passive park
Fort Couch	0.75	Historic site
Flynn	0.71	Swings and a picnic bench
Total	34.51	—

Municipal Garage and Fleet Maintenance

The Streets Department operates out of the Municipal Garage, which is adjacent to the Lemoyne Wastewater Treatment Plant at the end of Lowther Street. The facility consists of the main garage (with offices) and a separate large 10-bay garage used to store vehicles and major equipment. Here, the Borough Mechanic provides maintenance and repairs to the Borough’s light-duty vehicles, heavy duty equipment, street sweepers, and other Borough equipment. The Borough does not currently deploy any fleet maintenance software; records of vehicle maintenance and repair are kept through manual paper records. Although the municipal garage has internet access, the garage is not connected to the Borough network, precluding the Maintenance Supervisor from accessing shared drives with administration or accessing the Borough’s administrative systems (e.g. Caselle financial system, iWorQ code and zoning program) that might be convenient in the course of day-to-day operations.

Stormwater

Like many municipalities in Pennsylvania, the Borough has increased its stormwater activities in the last few years to meet state environmental mandates. The Borough was issued a Municipal Separate Storm Sewer System (MS-4) permit most recently on April 30, 2018. The

Borough has developed a stormwater fee to help raise funding in support of these activities which will appear as a line item on sewer bills starting in August 2019. Properties are billed \$7.70 for the first one-tenth of an acre with a sliding scale as acreage increases. As previously mentioned, the Borough has also created an MS-4 Coordinator to execute many operations and managerial aspects of MS-4 compliance.

The Borough's Pollutant Reduction Plan (PRP) for its 2018 permit was developed by ARRO Consulting to satisfy requirements of the Chesapeake Bay Pollutant Reduction Plan (CBPRP) and pollutant reduction plans for an unnamed tributary to the Susquehanna River within municipal boundaries. This document provides the roadmap for the Borough to maintain MS-4 compliance, reduce Total Nitrogen (TN), Total Phosphorous (TP) and sediments. The municipal stormwater system has been mapped into a geographic information systems (GIS) database as a part of the requirements for the most recent permit, identifying the system's pipes and mains, swales, storm basins, outfalls and other critical infrastructure. This infrastructure includes nearly 5.2 miles of pipe, 500 inlets, 20 manholes, and 40 endwalls. Recent streetscaping improvements in the municipality have been done with stormwater in mind, having included a series of rain gardens between roadway and sidewalk corridors to collect and treat runoff.

Streetsweeping activities are performed approximately 40 hours each month seasonally; Borough officials note that the streetsweeper is able to cover its routes across the borough weekly. Debris is dropped off in a holding area on the maintenance garage parcel and the Borough contracts with a private hauler to dispose of the debris consistent with state regulations. The Borough recently purchased a new TYMCO streetsweeper on an International chassis to replace its aging 2002 Elgin Crosswind sweeper.

In addition to streetsweeping, maintenance staff conducts leaf collection services beginning in September and ending typically in mid-December as weather permits. Residents are asked to rake and pile leaves curbside; two maintenance workers collect the leaves with a 2016 ODB leaf vacuum trailer daily, typically servicing the entire municipality within one week except during the times of heaviest leaf drop rates. A local vendor hauls the leaf collection for free to produce mulch.

Facility Maintenance

Lemoyne facility maintenance is a mixture of contracted janitorial services and in-house office maintenance for routine repairs and maintenance work. Borough officials believe that the main Borough building could be improved from an energy efficiency perspective. According to staff, minimal insulation exists between the roof and drop ceiling and light fixtures are believed to be inefficient. The Borough should consider an energy efficiency audit to weigh the costs of capital improvement against projected energy cost savings to ascertain the validity of this observation.

Shade Tree Commission

Chapter 101 of the Borough of Lemoyne Code proscribes the powers and makeup of the municipal Shade Tree Commission, a three-member body that holds “...exclusive custody and control of the shade trees in the Borough” and authorization to “...plant, remove, maintain and protect shade trees on the streets and highways.” Maintenance Department staff conducts tree pruning and cutting in the spring and autumn to provide clearance along roadways and to assure signage is clearly visible to drivers and pedestrians. Shade tree expenditures as seen in Table 6-5, exclusive of any payroll, have varied between \$1,472 and \$6,199 annually between 2014 and 2018.

Table 6-5
BOROUGH OF LEMOYNE
Shade Tree General Fund Expenditures
2014-2018

	2014	2015	2016	2017	2018	Change 2014-18	
Category	Actual	Actual	Actual	Actual	Actual	\$	%
Tree Removal/Replacement	2,981	5,296	1,422	2,000	1,001	-1,980	(66.4)
Equipment Rental	676	903	872	1,317	471	-205	(30.3)
Employee Subtotal	3,657	6,199	2,294	3,317	1,472	-2,185	(59.8)

Public Works Staffing and Work Order Management

Prior to 2018, the Borough did not track stormwater maintenance employee hours separately from Highway Maintenance time. With the creation of a stormwater fund and the

increased Borough requirements under its MS-4 permit, staff time dedicated to stormwater is now tracked. Stormwater activities as shown in Table 6-6 are becoming a larger share of maintenance staff time, with 900 hours (or nearly 0.5 FTE) of staff time through the Borough’s mid-July pay cycle.

Table 6-6
 BOROUGH OF LEMOYNE
Highway Maintenance Staff Regular and Overtime Hours Worked
By Cost Center (Exclusive of MS-4 Coordinator Position)
 2017-2019 YTD

Cost Center	2017		2018		2019 YTD	
	Hours	Percent	Hours	Percent	Hours	Percent
Highway Maintenance	6,151	69	5,642	60	3,224	55
Parks	1,839	21	2,387	25	1,313	22
Stormwater	0	0	734	8	897	15
Pool	328	4	339	4	335	6
Borough Office Maintenance	342	4	301	3	135	2
Utility - Janitorial	273	3	0	0	0	0
Total	8,932	100	9,403	100	5,902	100

Additionally, Borough officials reported what they believe to be an increased demand for parks maintenance from Borough residents compared to previous years. Complaints come into the municipality in a variety of fashions, from walk-ins and phone calls to the “Contact Us” webpage on the Borough’s website. The Maintenance Superintendent will direct requests to maintenance staff to triage and remediate. The Maintenance Department does not use a work order processing system beyond these internal measures.

The perceived increase in park maintenance requests has not, to date, increased the proportion of staff hours dedicated to parks maintenance, having accounted for 21 to 25 percent of staff work hours annually since 2017, possibly due to the increasing pressure on staff time with greater stormwater activities. In addition to worktime pressures, Borough officials are currently reviewing equipment options to mow grass and landscape the park grounds more efficiently and safely, particularly due to the steep slopes present at Negley Park, presenting a capital pressure on the Borough’s budget.

However, considering the growing pressures on the small maintenance staff, the Borough should consider soliciting proposals/bids from third-party vendors for services that are either menial or at higher risk of workplace injury. For instance, if bids were to provide competitive

pricing for landscaping services, contracting such work would free staff time for other park infrastructure maintenance as well as roadway and stormwater activities that require more specialized equipment knowledge. In a similar vein, the Borough should review the scale and scope of its tree cutting and vegetation management activities and consider bids. This would help reduce capital needs and also reduce the use of in-house staff on services with more inherent risk of injury, of which tree cutting rates high. The Borough should weigh these proposal/bid costs with in-house estimates of time and capital requirements for these activities to determine if contracting is worthwhile, including what costs might be with the addition of a full-time employee to spread the current workload.

Capital Planning

The Borough does not currently develop a comprehensive capital plan to project capital asset needs in the coming fiscal years. Capital budgeting is sporadic in nature and usually the result of imminent capital needs during the annual budget process. In speaking with Borough officials, a few imminent capital needs were noted. First, upgraded servers and aging computer workstations were noted as further detailed in the Administration Chapter. Additionally, the upper pavilion at Negley Park was recently condemned during a routine maintenance inspection and needs to be significantly refurbished or replaced. This unforeseen issue not only reduces recreational opportunities for Borough residents but also negatively impacts Borough rental revenues while the structure is decommissioned. The Borough has received quotes for this work (approximately \$24,000) and has applied for a matching grant under the Cumberland County Land Partnerships Grant Program to cover 50 percent of the costs.

Additionally, officials have noted the 1999 GMC truck used by the Maintenance Department for winter brining has deteriorated in condition, and the Borough believes it will need to be replaced before the next winter season. As Table 6-7 shows, the Maintenance Department is dependent upon a number of vehicles between 10 and 20 years old that will need to be replaced in the coming years.

Table 6-7
 BOROUGH OF LEMOYNE
Vehicle and Major Equipment List
 2019

Year	Make / Model	Department	Type
2019	International / TYMCO Streetsweeper	Maintenance	Vehicle
2017	Hisun Sector 550 UTV	Sewer	Vehicle
2016	DBD Leaf Machine	Maintenance	Equipment
2016	Ford Dump Truck	Maintenance	Vehicle
2016	ODB Leaf Vacuum Trailer	Maintenance	Equipment
2015	Vaccon FL-108	Sewer	Vehicle
2014	Ford SUV	Sewer	Vehicle
2012	Ford F150	Maintenance	Vehicle
2012	Ford F250	Sewer	Vehicle
2010	International 7	Maintenance	Vehicle
2009	International 7400	Maintenance	Vehicle
2008	Chevrolet 3500	Maintenance	Vehicle
2008	GMC Sierra 3500	Sewer	Vehicle
2007	Case 580M Backhoe	Maintenance	Equipment
2006	Ford F150	Codes	Vehicle
2005	Giehl 7810 Skid	Maintenance	Equipment
2002	Carmate Trailer	Maintenance	Equipment
2002	GMC 3500 HD	Maintenance	Vehicle
1999	Pequa Trailer	Maintenance	Equipment
1999	GMC 3500 Truck	Maintenance	Vehicle
1998	Ford L900	Maintenance	Vehicle
1998	GMC Dump Truck	Maintenance	Vehicle
1996	Pero Utility Trailer	Maintenance	Equipment
	Mama Trailer	Maintenance	Equipment
	Leeboy Tandem R	Maintenance	Equipment

While unforeseen events and needs will always arise, putting together a multi-year capital plan that outlines the condition of —and medium-term needs for— Borough capital will help stakeholders balance the pressing capital needs of the Borough within its financial constraints and priorities.

Recommendations

1. **Develop Capital Plan.** The Borough should develop a capital improvement plan process to document the long-term capital needs of departments and Borough infrastructure, score those capital needs in terms of priority, and outline financing opportunities to meet those needs. This should include, but not be limited to, road and bridge infrastructure needs, department vehicle and equipment schedules, and information technology items (e.g. servers, workstations, and critical software). Even if not all components of the plan can

be funded, a capital improvement plan is an essential tool to multi-year planning and creates a paradigm through which priorities are set.

2. **Competitively bid landscaping services and tree cutting services and review staffing level.** As noted above, there are increasing pressures on the small Maintenance Department staff across its various services areas. The Borough should review staffing needs while soliciting proposals or bids from qualified vendors for landscaping and tree cutting services to compare costs.
3. **Conduct energy efficiency audit of Borough Building.** The Borough should solicit expertise to conduct an energy efficiency audit of the Borough Building to see if energy costs can be reduced and savings can be realized after initial capital costs to improve building efficiency.
4. **Demo work order and fleet management software services.** Public Works operations nationally are gradually adding technology as a management tool to use strained resources effectively. The Borough should consider seeking information on some of this technology, particularly in cases where already-licensed software may have additional modules that would benefit the Maintenance Department. For instance, the iWorQ software that is currently used by code enforcement also offers a number of public works modules including fleet and work order management.

CHAPTER 7 WASTEWATER TREATMENT REVIEW

Introduction

Until 2010, Lemoyne Borough's Wastewater Treatment Plant was treating sewage from Camp Hill and Wormleysburg Boroughs in addition to Lemoyne Borough. Wormleysburg opted to send its wastewater to East Pennsboro for treatment pursuant to an agreement in perpetuity. Camp Hill determined to try to satisfy the Chesapeake Bay restrictions on its own and also ceased wastewater flow to Lemoyne. Camp Hill has taken steps that indicate there is no prospect of it returning any time in the near future. There are significant fixed costs involved in running the Sewer Treatment Plant, and currently only approximately 19 percent of plant capacity is being used. As a result, revenues have declined in relationship to costs. Compounding this problem is a recent rate reduction for Borough customers. In order for the Sewer System to remain solvent, rates must be increased in 2019. In addition, the Borough and the Lemoyne Municipal Authority should explore all additional means of bringing in more revenue, including by bringing on more waste flow.

General Description of the Sewer System

The Borough's sanitary sewer system consists of an upgraded wastewater treatment plant, approximately twenty miles of gravity pipelines (varying in size from eight to 30 inches), five pump stations, and associated facilities (the "Sewer System") necessary to provide wastewater service to approximately 2,000 customers. Recent estimates are that average flow is approximately 0.243 million gallons per day ("MGD") or about 19 percent of the 1.3 MGD treatment plant capacity. The Sewer Treatment Plant has excess capacity beyond what is needed for projected growth.

Construction of the sewer system began in the 1950s; significant improvements occurred in the 1980s and 1990s; the main interceptor was installed in 2010 and a main trunk sewer line (Herman Avenue) was replaced in 2015. The system's largest pump station is the Northside Pump Station, and it was installed in 2011. The Walton Street Pump Station and force main were also upgraded in 2013. A major upgrade to the Sewer Treatment Plant was completed in 2015.¹

¹ Source of general description is HRG Report and discussions with Borough officials.

The Lemoyne Municipal Authority

The Lemoyne Municipal Authority (“LMA”) was created by the Borough to serve as a financing authority for the Sewer System and its capital needs. The Borough leases the Sewer System from LMA, and the Borough is responsible for day-to-day system operations. Current lease terms are contained in an Agreement of Lease, dated July 1, 2011 (the “2011 Original Lease”) as amended by a First Supplemental Agreement of Lease, dated September 1, 2013 (the 2011 Original Lease as amended, is referred to herein as the “2011 Lease”). The 2011 Lease replaced a prior lease, which was terminated in connection with the Borough and LMA entering into the 2011 Lease. Current staff of the Borough is not familiar with the reasons for the amendments (other than the fact that the LMA would be incurring additional indebtedness) or nuances of business terms that were changed.

Pursuant to the 2011 Lease, the Borough is required to pay all operating costs of the Sewer System, including debt service on debt associated with the Sewer System. In addition, the Borough has been paying an annual rental payment to the LMA of \$250,000 per year and has been paying an LMA administrative expense of \$16,000 per year. The LMA does not have an executive director or a part time administrator, raising a question about the purpose for the LMA administrative expense payments.

Insurance and transfers to the capital reserve have totaled approximately \$70,000 per year in the past two years. The transfer to the capital reserve appears to be related to a new Flusher Truck for the Sewer Department. The Sewer Capital Reserve Fund had sufficient amounts in it to acquire the Flusher Truck on a pay as you go basis; however, it was determined instead to pay for an interfund loan out of operating revenues. It is not clear from our review exactly why this was structured in a way where the operating revenues would be used to pay for a capital asset. This is of particular concern because operating revenues are insufficient to pay operations (the Operating Reserve Fund).

Under the prior lease dated July 9, 2008 (the “Prior Lease”), the Borough also had a \$250,000 per year rental payment obligation. According to the Prior Lease, such amounts were to pay for or subsidize the cost of certain capital improvements to the Sewer System, including but not limited to the construction and installation of the North Side Pumping Station Project. The Prior Lease went on to say that if the LMA accumulated \$1 million in excess of known

projects during the next two years, the Borough's obligations to pay the \$250,000 per year would cease temporarily. It appears that the Prior Lease provisions were aimed at approximating an annual capital improvement contribution which, if it grew too large, would be temporarily eliminated. In speaking with the Borough and its engineer, it is unclear to them what relationship if any, the \$250,000 per year bears to the current and future capital needs of the Sewer System, particularly in light of the significant recent capital improvements that were paid for using proceeds of borrowings and the current balance in the Sewer Capital Reserve. According to the Borough and the engineer, no long-term capital improvement plan currently exists. The Superintendent and Borough administration apparently identify capital needs on an annual basis, the LMA board reviews the requests and approves all or a portion of the request. In the past, items required that were not approved by the LMA have been paid for from Borough general operating funds. The LMA Capital Reserve currently contains in excess of \$2 million. This report will provide the Borough with a recommendation relating to a better way to identify long term capital needs in advance and alternative ways to fund them.

Municipality authorities have been used for a variety of reasons in Pennsylvania. Among the reasons often cited are to incur lease rental debt instead of direct, non-electoral debt (i.e. additional borrowing capacity) and to have a board and a part time director that are focused on sewer related issues, thereby freeing up Borough Council to specialize in and focus on core governmental functions. In other words, the Authority board can be the experts on sewer matters and the Borough Council is freed up to think more about core governmental functions. The Borough should consider whether the purposes of maintaining a municipality authority still exist and are serving the Borough's best interest, and if not, the Borough may wish to consider some of the alternatives discussed below.

Debt Load

The Authority delivered a Guaranteed Sewer Revenue Note, Series of 2011 to Metro Bank (now First National Bank) to fund improvements to the Sewer System. The maximum aggregate principal amount of the loan was \$3,800,000 and interest accrues at an annual rate of 4.248 percent. The Authority delivered a Guaranteed Sewer Revenue Note, Series of 2013 to Mid Penn Bank to fund upgrades to the Sewer Treatment Plant. Under the terms of the Loan Agreement, Mid Penn Bank agreed to loan up to \$5 million to the Authority at an interest rate of

3.795% per annum. Finally, as of September 10, 2013 the Authority borrowed up to \$11 million for sewer plant upgrades from PennVest. Interest on the PennVest loan initially accrues at a rate of 1.00% until the project is placed in service.

As of December 1, 2018, there was \$16,538,516 in debt outstanding at the LMA relating to the Sewer System (minutes of the LMA reflect a debt balance of \$16,224,126 at May 1, 2019). Annual debt service for the next five years is illustrated in Table 7-1.

Table 7-1
LEMOYNE MUNICIPAL AUTHORITY
Guaranteed Debt Service
2019-2023

	2011 Note	2013 Note	PennVest Note	Total
2019	\$282,473	\$359,018	\$465,627	\$1,107,118
2020	282,473	359,018	465,627	1,107,118
2021	282,473	359,018	465,627	1,107,118
2022	282,473	359,018	465,627	1,107,118
2023	\$282,473	\$359,018	\$465,627	\$1,107,118

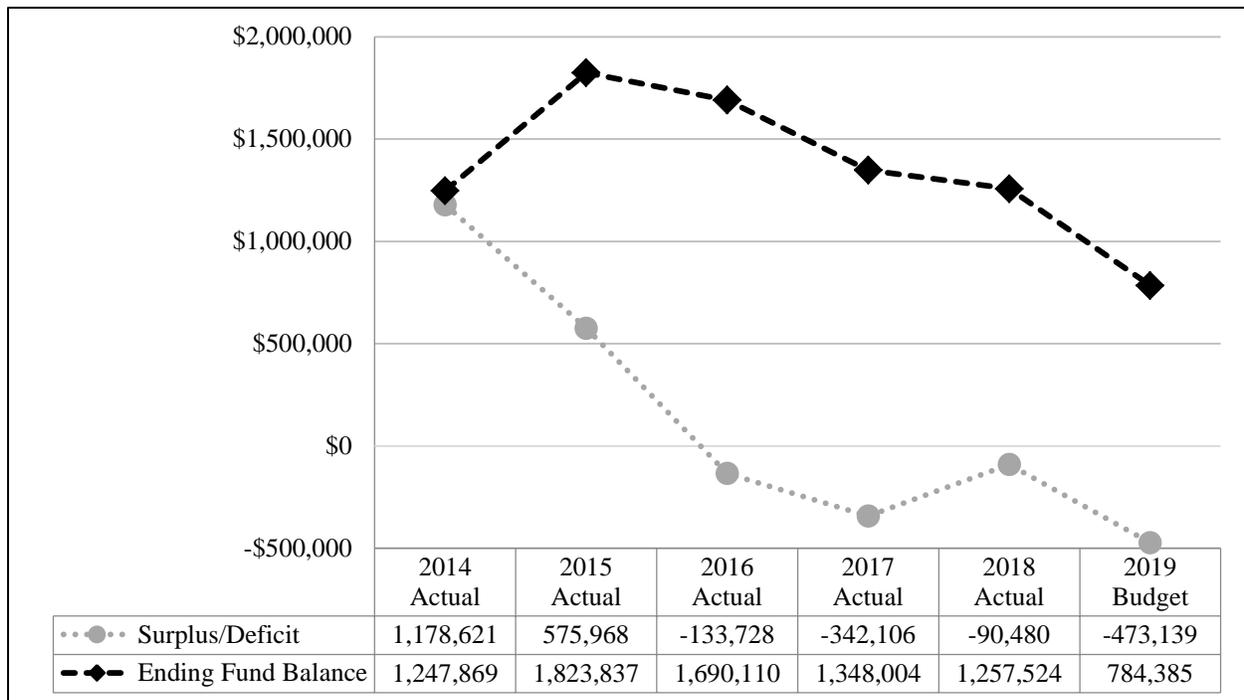
Summary of Operations

Due to the loss of two municipal customers (Camp Hill and Wormleysburg) in 2010, and significant rate decreases for both residential users and multi-family users approved by Borough Council in 2015, sewer operations have been losing money at an alarming rate. While the Sewer Fund at the Borough (which is an operations account) is being depleted at a rapid pace, for the time being there is a small fund balance remaining. Unless rates are increased during 2019, effective at the beginning of 2020, it appears that the fund balance will be eliminated some time in 2020. If this happens, the General Fund will then be required to begin making guaranty payments or otherwise subsidize operations and maintenance of the Sewer System. This would have a deleterious impact on the financial condition of the Borough and can (and should) be avoided with steps described herein. A summary of the losses from operations and a snap shot of the fund balance as of December 31, 2018 are shown below.

Table 7-2
 LEMOYNE MUNICIPAL AUTHORITY
Revenues, Expenditures and Surplus/(Deficit)
 2014-2019

	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget
Revenues	\$4,079,059	\$2,880,491	\$2,683,018	\$2,623,088	\$2,552,073	\$2,346,100
Expenditures	2,900,438	2,304,523	2,816,746	2,965,194	2,642,552	2,859,239
Surplus/(Deficit)	1,178,621	575,968	-133,728	-342,106	-90,480	-513,139

Graph 7-1
 LEMOYNE MUNICIPAL AUTHORITY
Surplus/(Deficit) and Fund Balance
 2014-2019



Rate Study

In light of the above-described situation, Rettew was retained by the Borough to analyze various rate increase scenarios that could be implemented to avoid the depletion of the operating reserve fund balance and eliminate the need for the Borough’s General Fund to begin subsidizing sewer operations. A series of meetings occurred in October and November 2018 at which a variety of scenarios were laid out by Rettew and discussed with the Sewer Committee.

Ultimately, the consensus of the Sewer Committee was to try to ease back into rate increases so that the community is not subject to an immediate, steep increase – this scenario included building in relatively small, annual increases that will make the Sewer System’s financial operation sustainable again. To implement this plan, the Borough must be willing to build in a regularly scheduled rate increase. Our understanding is that this year’s “proposed” rate increase is expected to raise revenue to \$2.931 million beginning in 2020 and will be followed by an annual increase in rates of 1.75% per year (which can be done every year (1.75% annually) or every two years (3.5% biennially)). The Borough should promptly take steps to implement this rate regime. In addition, a multi-year (3-5 year) capital improvement program (“CIP”) should be developed. Once the CIP is developed, a further assessment of how much should be “pay-as-you-go” capital and how much should be borrowed should be undertaken. The results of the “pay-go” analysis should be folded into the rate study and the 1.75 percent rate increase. These results can take into account amounts available in the capital reserve, amounts being paid for capital under the 2011 Lease or otherwise, and the amount expected to be borrowed. Rettew should be consulted after this analysis is completed to re-run the annual rate increase and guide the Borough as to the impact it might have on the rate regime.

Septage/Sludge Processing

In 2016 and 2017, the Treatment Plant was earning \$153,656 and \$144,287, respectively, in Septage Processing (08.364.125). That being said, this processing also involved certain direct and indirect expenses that resulted in no benefit from the sludge processing. Logistical issues, as well as billing and collection issues, were reported. Accordingly, Septage/Sludge processing has been discontinued resulting in additional excess capacity at the plant. While beyond the scope of this report, the Borough may wish to consider hiring outside consultants to re-evaluate this processing program, including all aspects of logistics, billing and collections, testing and pricing to see whether some value can be achieved by revamping and reinstating a sludge processing program.

Transfers to General Fund

Some municipalities utilize an overhead study (direct and indirect overhead) to allocate utility revenues to the municipal general fund to defray the costs associated with administering the utility. Others generate an internal number without such a study. There have been isolated instances of municipalities taking too much from a utility fund to subsidize general fund expenses, but that does not seem to be the case in Lemoyne. A review of the Borough financials indicate that the Sewer System operations are only contributing approximately \$40,000 per year to the General Fund (08.401.120) and that indeed the Sewer System may be costing the Borough money to operate under the current structure and lease (over and above that which is being subsidized using the Borough Sewer Operating Reserve fund). Another way of looking at this is that some of the payments being made to the LMA might be more appropriately directed to the Borough's General Fund. Some personnel have a portion of their time allocated to the Sewer Fund. The Borough should revisit these allocations and consider other cost centers for allocation to Sewer (i.e. a portion of costs of street sweeping and cleaning). A comprehensive overhead study should also be undertaken in order to refine the allocations.

Capital Improvement Program

There is apparently disagreement between what is considered maintenance and what is considered capital. This is a very common question for municipal government. The current lease arrangement highlights the importance of this distinction as the former comes from the Borough Sewer Operating Reserve and the latter from the LMA Capital Reserve. If the Borough continues the lease back approach with the LMA, the Borough should consider adoption of a policy that makes it clearer what is maintenance and what is capital.

In addition, as mentioned elsewhere, the \$250,000 per year transfer may not be a good metric for the capital needs of the Sewer System. A capital improvement plan that looks at the current condition of the system (taking into account significant recent investments) and the expected needs should be undertaken to ascertain an appropriate amount for annual capital improvements. The amount indicated by such a capital improvement plan can be built into the 2011 Lease in lieu of the fixed \$250,000 (e.g. "a payment of such amount as is necessary to fund

the current years' capital contribution as shown on the capital improvement plan for the Sewer System".)

Disposition Strategies

An increasing number of municipalities have been selling, leasing, or entering into concession agreements for their municipal utility assets. It is important to understand the pros and cons of these strategies. The Borough retained the services of HRG to undertake a valuation of the Sewer System and to provide some advice to the Borough in the form of a cost-benefit analysis. Below is a very brief summary, in broad terms, of some of the options available to the Borough and some of the issues to consider.

1. **Operations and Maintenance** - This is sometime referred to as "contracting out" management and operations. It would only result in an up-front payment to the Borough if a long-term management fee were to be paid to the management company and such fee was structured in a way that contemplated an up-front payment to the Borough. Sometimes a fee arises if the management company can find savings or increases in revenues. In some instances, an O & M arrangement is entered into to maintain rates or slow the increase in rates using the best of government and the best of the private sector skills and buying power to accomplish the goal. Some municipalities contract out for management and all staff necessary to operate their sewer system because they just don't want to develop and maintain the expertise. Risk of expense for capital improvements is not transferred to the management company but instead continues to reside with the Borough and ratepayers. Upfront amounts will be significantly less (if there are any at all) using this approach. This approach does not appear to be a good fit for the Borough; however, the Borough may wish to retain the services of an outside for-profit operator or consultant, on a limited basis, to figure out ways to bring more waste in to the Sewer Treatment Plant.
2. **Lease** – Leases come in a variety of shapes and sizes. A long-term lease can be used to generate upfront proceeds and for federal law purposes may be structured much like a sale, except that the Sewer System eventually would come back to the Borough after the lease expires. By that time, it is sometimes difficult to hire the personnel necessary to

operate the system. But for municipalities that don't want to permanently part with their utility assets, this strategy can work. Investor Owned Utilities ("IOU"), however, cannot spread the costs of capital improvements across its large base of users (its entire tariff area) and thus some of the benefits of a sale are lost in this construct. In addition, the IOU will not take the risk of later capital improvements unless the IOU can have complete control over future rate increases and generation of revenues.

3. **Concession** – This is best understood as selling the rights to the net revenues of the utility but not leasing or selling the actual hard assets. Up-front payments can be achieved by agreeing to increasing rates throughout the concession agreement term. Again, it is difficult to shift the risks of capital repair and improvement in this type of agreement and the IOU cannot use Act 11 to spread capital costs across a much larger rate base.
4. **Sale** – A permanent disposition of the assets and the revenue stream. Usually, if up front proceeds and/or mitigating the risk of future costs of repairs, maintenance and regulatory upgrades are the goal; this is the strategy to pursue.

The Borough has previously engaged HRG to ascertain an approximate sale price for the Sewer System to an IOU. HRG used reasonable assumptions to come up with an estimate of a sale price. They used two of the metrics that are commonly used to estimate value (price paid per user and the income approach). The only real way of knowing how much the Borough would receive in connection with a sale is to undertake a competitive process, disseminate a request for proposals and receive actual bids. This process can take up to a year (or in some cases, longer). Strategic value and corporate interests of the bidders are not known until the bid process is undertaken. The bid process is time consuming for staff and a relatively expensive process, but it has been deemed worthwhile for those municipalities who either must get out of the business, desire to get out of the business, or are in need of a cash infusion (to pay down pension liability or debt, etc.).

It is important to keep in mind that all of the debt related to the Sewer System will need to be paid off if a sale is pursued and thus, the net proceeds of a sale will be the gross purchase price minus the debt (\$6.4 million, net of debt in HRG's estimate). In addition, the Borough should expect rates to increase every three years, so any benefit this money might have for tax

payers should be offset by expected rate increases to rate payers. As shown in the HRG reports, the remaining funds may be sufficient to mitigate tax increases for a set period of time; the Borough will need to decide whether it is worthwhile to pursue this approach for the net benefits its residents might be able to achieve. A sale generally is a good fit for a municipality that has pension funding crises or insurmountable amounts of debt (Scranton, City of Chester, City of Allentown, etc.) or merely wants to get out of the business and let entities interested in running sewer systems do so (Valley Creek Trunk Sewer members, New Garden Township, etc.). The facts presented are not compelling and don't make a sale of the sewer system a priority. Putting in place the new rate regime, developing a long term capital improvement plan, and then revising the Lease would likely be beneficial and would not preclude (and in the case of the first two initiatives would enhance) a future sale.

Investor Owned Utility

If the Borough determines to proceed with an RFP for a sale of the Sewer System, it is also important to keep in mind that the IOU will be in charge of rate setting and will likely increase rates in the 3-4% per annum range every three years or so (i.e. 9%-12% every three years). These rate increases will be subject to the Pennsylvania Public Utility Commission's approval but a 9-12% rate increase every three years or so should be expected. Because the IOU can spread capital costs across a much large rate base, this has been viewed as a positive solution for cities like Scranton that had a \$150 million plus project directed by a DEP Consent Order. The Borough, on the other hand has funded a significant amount of the work needed to attain compliance with current regulations.

Regional Public Solution

All things being equal, this solution should garner the largest up-front proceeds because a public authority can issue tax exempt bonds and this is the lowest "cost of capital" available. This low cost of capital can either enable the municipal authority to pay more money up front, or, more importantly, can enable the Borough to set the rate increases that are tolerable and still receive a significant up-front payment. The IOU's cannot agree to rate caps and contractual limitations to rates, but regional authorities can. Accordingly, if the Borough is interested in

selling its Sewer Assets, it should exhaust all possible public – public options (examples could include Bucks County Water and Sewer, Capital Region Water or one of several other municipality authorities).

Internal Restructuring Options

1. **Amend Lease Provisions** - The 2011 Lease was entered into July 11, 2011 (and amended in 2013); at that time, the vast majority of the debt that had to be incurred to improve the Sewer System had not yet been issued. The Sewer System now has been significantly improved and the Sewer Capital Reserve contains over \$1.8 million. It is highly recommend that the Borough develop a long-term capital plan that optimizes the use of pay-as-you-go capital (annual contributions plus capital reserves) and capital funded from proceeds of bonded indebtedness.

Once the rate increase (and commitment to annual increases) is agreed to and implemented, and the long-term capital plan is developed, the 2011 Lease should be amended by the parties. Some of the provisions that should be revised include the fixed \$250,000 per year transfer from the Borough to the LMA. Our review of the recent capital borrowing and HRG report indicate that the \$250,000 amount is probably not properly sized. Development of a 5-10 year capital improvement plan (CIP), and a corresponding 5-10 year funding plan for the CIP, should indicate the amount needed each year for contribution to the Capital Reserve for the Sewer System. In our review of the Guaranty Agreements, Notes and Loan Agreements we do not see anything that would preclude the Borough and LMA (the two parties to the Lease) from amending the Lease to provide for a transfer from the Borough to the LMA in such amount as is mutually agreed to after development of a long term CIP and a funding plan for the CIP. The solicitor for the Borough will need to review all of the related contracts to ensure that the Borough and LMA can discontinue the \$250,000 transfer by agreeing in writing to do so. While it may make sense to obtain the consent of the lenders, the structural deficit in the sewer operating account is unsustainable and addressing it as soon as possible should be a high priority.

2. **Terminate Lease and Authority** - There are a variety of good reasons for creating a municipality authority such as LMA. Among the reasons often cited are to incur lease rental debt instead of direct, non-electoral debt (i.e. additional borrowing capacity) and to have a board and a part time director that are focused on sewer related issues, thereby freeing up Borough Council to specialize in and focus on core governmental functions. The debt capacity issue in the Borough does not seem to be a compelling reason to maintain a separate municipal authority for sewer. Consideration should be given as to whether the new stormwater fee and the management of these issues could better be managed with the LMA (or the Borough), whether the LMA continues to serve an important function, or whether it might make sense for the Borough to terminate the Authority and assume the outstanding debt (or, refinance some of the debt, if doing so would be advantageous). The Municipality Authorities Act provides for a termination of the LMA by the Borough, so long as the Borough assumes all of the outstanding obligations of the LMA.
3. **Contract out (on a limited basis) for advice on how to increase revenues.** The Borough may wish to consider contracting out for specific expertise that may help the Borough: explore further whether to restart the sludge business with a different rate and expense structure in a way that could be more profitable, and solicit input from private parties, utilities and other municipalities that might be amenable to sending waste to the treatment plant. There are consultants and operators that might be of help to the Borough and this could be part of a Strategic Management Planning Program Phase II grant.

Recommendations

1. **Take action on rate study:** Prior to the end of 2019, take action necessary to implement the rate increase regime recommended by the rate consultant and for which a consensus of the Sewer Committee was reached.
2. **Capital Improvement Plan.** Develop a Long-Term Capital Improvement Plan and Funding Plan and use the amounts in the LMA Sewer Capital Reserve for capital expenditures in the interim.

3. **Eliminate capital reserve transfer.** Amend the 2011 Lease to eliminate the \$250,000 per year capital reserve transfer and \$16,000 per year administrative fee.
4. **Conduct a cost allocation study.** Undertake a comprehensive overhead study to determine how much of the Sewer System's revenues should be used to pay allocable overhead of the Borough and build this into rate base calculations.
5. **Decide on sewer system direction.** Decide whether the Borough desires to dispose of the Sewer System (e.g. Sale, Lease or Concession). This would eliminate the need to focus on Recommendations 2 and 4.
6. **Discuss options concerning Lemoyne Municipal Authority.** Determine whether maintaining the LMA makes sense or whether the Borough should consider terminating the LMA and transferring all assets back to the Borough (while satisfying all obligations of the LMA by either refinancing or assuming debt obligations, etc.).
7. **Seek opportunities to increase waste flow.** Consider retaining a consultant or operator to flesh out opportunities to increase waste flow or processing at the Sewer Treatment Plant.

CHAPTER 8 LABOR AND COLLECTIVE BARGAINING REVIEW

Introduction

Lemoine is served by 15 employees, 14 full-time and one part-time. Six employees are unionized in a bargaining unit represented by the American Federation of State, County and Municipal Employees District Council 89, AFL-CIO (the “AFSCME”). The current term of the collective bargaining agreement (the “CBA”) with AFSCME is from January 1, 2019 to December 31, 2021. Nine employees are not represented by a union. The Borough does not employ its own police department. Instead, since January 1, 1995, the Borough has been part of a merged regional police department with the Borough of Wormleysburg in what has been called the West Shore Regional Police Department (“WSRPD”). The merger agreement creating that department was signed on October 11, 1994 and amended on October 10, 2000.

The Borough shares the costs of the police service with Wormleysburg Borough. At the outset, Lemoine paid 59 percent of the costs of the operation of the police department. That percentage remains at 60 percent today. While the costs of the regional police department are not part of the labor section of this study, those costs cannot be ignored by the Borough because even if the Borough’s percentage share of the regional police department remains constant, the actual costs to the Borough will increase as the costs of the regional police department increase.¹

Notwithstanding its small population size, Lemoine Borough is no different than most municipalities across the Commonwealth who are faced with controlling the costs of public services where a large portion of such costs is personnel related. As such, it is incumbent upon the Borough to prospectively control these expenditures since they can quickly become one of the largest portions of the Borough’s operating budget. The Borough’s failure to monitor and control these expenditures will undoubtedly threaten the Borough’s future fiscal integrity and consequently jeopardize the Borough’s ability to maintain current public service levels. This chapter will recommend cost control strategies for employee health insurance, pension and other labor issues that will support the Borough’s efforts to control these expenditures.

¹ Indeed, depending on how the costs of the police department increase, the cost to the Borough could increase even if its percentage share of the police department’s costs decreased. While regionalization was clearly a good idea due to a number of factors, not the least of which is the size of the Borough, the Borough must be watchful of the cost of it pays for police services.

The Borough's relationship with its six unionized employees is governed by its CBA. For the most part, the Borough provides its non-unionized employees with many of the same benefits provided to its unionized employees; however, the cost control strategies recommended in this chapter will have to be implemented through the collective bargaining process with AFSCME in order for such changes to be effective and to be applied evenly and fairly across the Borough's workforce.² It is unlikely that the recommended changes will occur in one collective bargaining cycle. Thus, the Borough will need to develop a consistent approach to collective bargaining over the long-term that focuses on these areas as it begins negotiating changes for all employees and implementing changes for non-represented employee groups, which should occur at the earliest possible time.

While the Borough's current labor costs are not crippling, it is imperative that the Borough focus on structural cost drivers that are associated with the wages and benefits paid to its employees. The Borough will need to do so in order to ensure the future sustainability of all of its services. While the Borough does not appear at this time to be facing the fiscal distress that other Pennsylvania municipalities are facing, the Borough must remember that the time to focus on making services sustainable is before such services become unsustainable. Fiscally distressed municipalities were once not fiscally distressed; however, they failed to take the necessary steps to curtail structural cost drivers, particularly employee costs. The Borough is in the position now to take such steps by placing a focus on sustainability now.

The Borough must have a consistent approach in the determination of all future employee compensation and in all future employee collective bargaining negotiations and interest arbitration. It will also require a change in the expectations and culture among some employee groups.³

Employee Compensation and Benefits

² The Borough can and should always consider implementing changes to compensation terms and benefits on non-unionized employees first. Such a process develops a bargaining pattern that is useful in negotiations. However, the Council must be cautious in treating non-unionized employees in a less favorable manner than unionized employees. This is a key factor in implementing the Borough's labor strategy and it should be discussed with the Borough's labor counsel.

³ As noted above, the regional police department's labor and compensation structure was not part of this study but those issues and costs are still very important to the Borough and its taxpayers. An informal review of the CBA for the regional police department revealed a typical public safety CBA with significant costs issues and hidden cost compounding mechanisms that should be addressed. Many of the issues and recommendations discussed in this Report can also be easily transferred and applied to a review of the regional police CBA, and it is recommended that the Borough do such a review in the future so its representative on the Regional Police Commission can pursue necessary changes.

A. Wages

The Borough's base compensation for employees is higher than and compares favorably to the Borough median household income of \$49,523, but the base salaries are not out of line compared to other municipal employees across the Commonwealth. Generally, supervisory employees are paid between \$64,000 and \$68,000. Rank and file employees with more than one year of service are paid between \$49,962 and \$53,955. Ironically, managerial employees are not paid much more than the supervisory employees. For example, the Borough Manager, who is Council's main person and liaison with the Borough and its employees and who is responsible for managing the entire Borough, is paid just more than \$10,000 above the highest paid supervisor. Notwithstanding the fact that current salaries can be characterized as relatively reasonable and manageable for the Borough at this time, the salaries for rank and file employees are beginning to show the early signs of "wage creep." This means that the Borough's salaries are reaching the upper range of what should be necessary to attract qualified employees, with the possible exception of the positions in the Waste Water Treatment Plant that require certifications. At the same time, the salary of the Borough's management employees, particularly the Borough Manager, appears to be relatively modest compared to management in other municipalities and should be reviewed in order to insure that the Borough retains competent management and key institutional knowledge.

With respect to rank and file employees, the Borough should consider creating and seeking a new, more graduated pay scale for new hires. This pay scale should extend over the first six years of employment and it should feature set dollar values at each step. Those dollar values should not increase during the term of a labor contract. The initial step should be equal to or slightly lower than the current introductory base salary and should increase each step of the pay scale; however, the salary at the final step should be less than the current full salary. Further, the salary at each step should not be increased by a general wage increase that is provided to other employees. More ideal would be a new graduated pay scale for new hires that lasts longer than six years. Of course, such a scale will have to be bargained with the union.

B. Pension Benefits

The Borough administers pension benefits for its non-uniformed employees in the form of a defined benefit pension plan (the "Pension Plan"). Unlike the statutory requirement that mandates that a municipality provide a defined benefit pension plan for uniformed municipal

employees, there is no statutory requirement that that the Borough provide a defined benefit pension plan for its non-uniformed employees. Such plans typically can be very costly.⁴ Many municipalities offer its non-uniform employees a defined contribution pension plan.

Based on the 2017 Actuarial Valuation Report (AVR), it appears that as of December 31, 2016, the non-uniform Pension Plan was approximately 93% funded, which although not fully funded is a healthy funding level.⁵ The Borough's annual minimum municipal obligation ("MMO") since 2017 ranged from approximately \$87,000 to \$97,000 between 2016 and 2019. The MMO was \$87,797 in 2018, \$97,256 in 2017, and \$87,989 in 2016. In 2019, the MMO was \$86,358. The Borough's MMO is offset by state aid received from the Commonwealth of Pennsylvania under Act 205 that was \$68,823 in 2017.

The Pension Plan provides normal retirement at age 62 with 15 years of service and an early retirement benefit at the age of 55 with 25 years of service. The normal retirement benefit is 1.4 percent of average compensation multiplied by accrued service up to 25 years. The early retirement benefit provides a reduced benefit by 6 2/3 percent for each year up to five years and 3 1/3 percent for each year between five and seven years that the employee retires early. The Pension Plan features a disability benefit of the accrued benefit on the date of disability.

The DAG cited above contained no significant audit findings, except for a misstatement of the information provided on the Form AG 385 that resulted in the payment of too much state aid in 2014. The Borough agreed with this finding, which is not an uncommon finding, but system checks should be in place to prevent such a finding in the future.

The Borough's pension funding obligation for its Pension Plan is manageable due to the fact that its annual financial obligation is significantly covered by Act 205 state aid. The funding ratio for the Pension Plan has generally remained in manageable areas near or slightly above 90 percent. This is good news because it is very common to find public sector defined benefit

⁴ The 2017 Actuarial Valuation Report (AVR) by the Plan's actuary recommended that the Borough lower the pension plan's interest rate assumption. Doing so would most likely increase the Borough's funding requirement, but would be a more accurate predictor of future performance. The actuary recommended either lowering the interest rate assumption or changing the plan's portfolio mix. The former would increase annual costs, and the latter would most likely increase investment risk, and not necessarily guarantee better performance. It does not appear that the Borough has yet made either suggested change.

⁵ The last publicly available audit from the Pennsylvania Department of the Auditor General ("DAG"), *Lemoyne Borough Non-Uniformed Pension Plan, Cumberland County, Pennsylvania, For the Period January 1, 2012 to December 31, 2015* (January 2017), listed the Plan as 90.2% funded as of January 1, 2015.

pension plans with a funding ratio in the 80 percentile or lower, which puts a significant fiscal strain on a municipality's general fund and ultimately their taxpayers.

Thus, while the Borough is not currently faced with a pension funding crisis, such a status can change quickly based on future stock market volatility or a sudden drain on one of the pension plans due to increasing costs associated with retirement or disability benefits. Thus, the Borough cannot relax based on a false sense of security and it must continuously monitor the Borough's Pension Plan. The Borough should consider proactive changes that will minimize any negative financial impacts from these or other future threats to Borough's Pension Plan. Such options include:

- i. Non-uniformed employees do not contribute to the pension plan. This is not advisable and it is recommended that Borough employees financially contribute and fund their own pension benefit. Otherwise, the cost is entirely on Borough taxpayers for a benefit which is not available for most private sector employees. Further, employee contributions provide a steady funding source and reduce the amount taxpayers must fund and thus creates more general fund money for public services. This also avoids employee shock and resistance when the contributions are raised in the future to maintain adequate pension funding levels. The Borough should consider contractual language requiring at least a five percent employee pension contribution or higher if possible and permitted by law. This requirement will have to be negotiated with the Borough's unionized employees and may be implemented gradually over time. The Council should reserve the right to lower that contribution at its discretion but the exercise of that discretion should be the exception, not the rule.
- ii. No new pension benefits (or methods of paying existing benefits, i.e. a DROP⁶) should be added to the Pension Plan in the future. The Borough's Pension Plan

⁶ Before seriously considering a DROP, the Borough must be able to identify a benefit for the taxpayers in such a program, particularly in such a small municipality. While succession planning is often the only benefit cited for a municipality, that "benefit" is drastically overblown. Most municipalities have enough competence and foresight to engage in such planning without a DROP. While a DROP is a clear benefit to employees, the Borough has to identify a benefit for the taxpayers. If the Borough considers a DROP, it should have a careful and detailed review of the direct and hidden costs of a DROP. Contrary to how DROPs are often characterized, DROPs do have costs that can vary depending on the structure of the benefits provided. There also are creative ways to structure DROPs to guard against such costs. If the Borough considers a DROP, which this report does not recommend, the Borough should consider all such options.

appears to be sufficiently funded so that the focus should be on controlling future cost increases and positioning the plan against future uncertainties.

- iii. If the Borough agrees to an enhancement of current pension benefits that enhancement should not be permanent; it should be conditioned upon a clear and certain significant reduction in pension or other costs. For example, the continuation of any new benefits should be limited to a period of years after which new retirees will not have access to that benefit enhancement or it should be conditioned upon the plan maintaining a predetermined funding level ratio or some other condition.
- iv. The Pension Plan should be reviewed to determine what current benefits, if any, can be reduced under the law if it becomes necessary in the future to control costs. The Borough should also seriously consider eliminating or restructuring pension benefits for new hires so that costly benefits are eliminated for future employees. For example, the Borough can eliminate participation in the Pension Plan for new hires or raise the retirement age and lower the benefit calculation for new employees hired after a certain date. The Borough should consider further future action such as possibly closing the non-uniformed plan to new participants as of a certain date for all employees, unionized and non-unionized and creating a defined contribution plan for these Borough employees.⁷
- v. The Borough should make sure that no lump sum payments or overtime are included in any pension calculation, and the Borough should avoid providing or increasing cost of living allowances, or other costly “add-on” benefits that drive up costs. At the very least, all such benefits should be eliminated for new hires and the Borough should investigate the legality of doing the same with respect to current employees who have not yet vested in such benefits.
- vi. As noted above, in the last DAG audit, the Borough’s plan was cited for providing incorrect information on the AG Form 385. This is not an uncommon finding, but

⁷ Any such change for the unionized employees will have to be collectively bargained. The Borough will have to evaluate whether it would be cost effective to close the defined plan to new hires and create a defined contribution plan, which will have its own costs, or to keep the current plan and change the multiplier and benefit structure, similar to what it has done already with non-unionized employees. It also is wise policy to seek the same benefit reductions for unionized employees that the Borough has implemented for non-unionized employees.

it should be avoided. The Borough should implement new pension procedures and financial controls.

C. Health Benefits—Current Employees

The Borough provides health insurance to its employees through the Intergovernmental Insurance Cooperative (IIC) using The Benecon Group.⁸ The Borough has an employee contribution for healthcare and has been increasing that contribution by 1 percent for several years. Currently, the contribution is set at 7 percent of the applicable premium, and it will increase to 9 percent by 2021. This contribution arrangement is a healthy one for the Borough. The contribution should continue to increase and be linked to the premium cost.

The argument that was established years ago that public employees received lower salaries than private sector employees and were provided cost-free health benefits for this disparity no longer exists, particularly in the Borough. Borough employees for the most part receive salaries that are competitive with private sector employees and employee health care cost sharing is now an economic reality. The cost sharing in the private sector is generally much greater than that paid by Borough employees so the Borough should consider being more aggressive in this area.

Health care contributions linked to the premium cost make unions more willing to discuss and agree to cost sharing ideas that reduce health care costs because such an arrangement will result in a reduced employee contribution as well. It provides an incentive to engage in such discussions and a reward for agreeing to such a provision in that it will lower the cost of healthcare for employees if the total premium is lowered for the Borough. In addition, at least in theory, when contributions are linked to the cost of health care coverage, employees have an incentive to act in a way that keeps health care costs at a lower level than would be the case if there were no such incentive.

Although cost sharing is the most basic and fair method of reducing the cost of health benefits for the Borough and its taxpayers, other options should also be considered. Increasing employee health care deductibles, even gradually, has also led to lower health care costs and should be pursued by the Borough. In fact, increasing employee deductibles and employee co-

⁸ A number of municipalities have obtained financial relief in this area by shifting health care coverage through a traditional health insurance plan to a self-insured pool or a consortium, similar to what the Borough has done. Even though such a change can result in significant savings, costs will continue to rise and it is critical to continue exploring additional avenues for containing health care costs.

pays are the primary methods, if not the only methods, of reducing premium costs since the passage of the Affordable Care Act (“ACA”). Currently, the Borough’s employees have a very small deductible. The contract requires that the Borough reimburse employees for anything over half of the deductible. Increasing the deductible will not only lower the premiums, but also require Borough employees to fund the deductible or a large portion of it, which encourages behavior that will lower health care costs overall.

The Borough may consider creating a Flexible Spending Account (“FSA”) that permits employees to put money into a tax-free account to use for paying deductibles, co-pays and other eligible health care costs. While the Borough owns the account the Borough may, but is not required to, make financial contributions to an employee’s account. Ideally, there should be no Borough financial contribution long term. The Borough may consider making a financial contribution to an employee’s account, on a temporary basis, to help phase in the new culture with an FSA.⁹ Such a strategy will lower healthcare costs for the taxpayer.

Two other tax advantage savings programs the Borough may consider establishing are a Health Reimbursement Arrangement (“HRA”) or Health Savings Account (“HSA”). Like the FSA an HRA account is owned by the employer and unused funds can be carried forward to the next year. However, only the employer is permitted to make contributions to the account. With HSA’s (which would only ever be an option if a High Deductible Healthcare Plan is adopted by the Borough) the employee owns the account and unused funds can be carried forward. Both the employer and employee may make financial contributions to an employee’s HSA account.

The Borough’s CBA does not contain any effective language dealing with the ACA’s High Cost Plan Tax (“HCPT”) popularly known as the Cadillac Tax. Although the HCPT is now scheduled to go into effect in 2022, the Borough cannot wait that long to seek relief from the HCPT.¹⁰ Such language must be in place in 2020 or 2021 at the latest. The HCPT has been pushed off and many commenters suggest that the HCPT will never take effect; however, as long as the HCPT is still a possibility, the Borough must focus on the HCPT before it is too late.

The HCPT will be imposed on the amount that the cost of employer-sponsored coverage is over the HCPT threshold. The HCPT will generally apply where the cost of family or other non-

⁹ If a partial Borough FSA contribution is created initially, such an arrangement should be gradually eliminated shortly thereafter.

¹⁰ While the Cadillac Tax is not favored and the United States House of Representatives passed legislation eliminating the tax, the Senate has not acted. Further, the Cadillac Tax was a major funding source for the ACA.

individual coverage is more than \$27,500 or the cost of individual coverage is more than \$10,200. For individuals in high risk professions, including police and firefighters, these thresholds will be increased slightly to \$11,850 for individual coverage or \$30,950 for family and other non-individual coverage, but these higher thresholds only apply if a majority of employees in the plan fall within the high risk category. If the cost of coverage is above these amounts, a 40 percent tax will be owed on the amount in excess of the threshold.

Paying the HCPT will benefit neither the Borough nor its employees. The HCPT is a key funding requirement for the ACA, but it has been strongly opposed by both employers and labor unions. Despite this opposition, the tax is still in place, and repeal is not clear. The Borough's premium levels are currently near or above the HCPT thresholds, so it is possible that the majority of plans provided by the Borough will be subject to the HCPT when it takes effect or a few years thereafter. The Borough needs to negotiate contractual language requiring its unions to discuss ways of reducing costs to provide benefits that do not invoke the HCPT in the event that the Borough receives notice that it will be subject to the HCPT. Under that language, if the parties do not reach agreement on changes that would eliminate the Borough's exposure to the HCPT, the issue will be submitted to expedited arbitration. Due to the "status quo" requirement of maintaining most benefits after a CBA expires, such language must be in place before the current CBA expires on December 31, 2021. Until and unless the HCPT is repealed, the Borough should resist any union efforts to delete this contractual language. Taxpayers should not be expected to pay for expensive, gold-type health care benefits for Borough employees when the taxpayers cannot afford such lucrative benefits for themselves.¹¹

Provided below are some additional general options to control health care costs that the Borough should pursue:

- i. Possible health, prescription and vision plan changes/redesign;
- ii. Increases/changes in office visit co-pay amounts, prescription co-pay amounts;
- iii. Mandatory generic drug requirements;

¹¹ The Borough has done a good job of resisting providing post-retirement health benefits and it should continue to do so. The Cadillac Tax will apply to such benefits as well and, regardless of that tax, such benefits are very costly and a drain on the general fund. Recent changes to the Government Accounting Standards Board's ("GASB") requirements for accounting for such costs also make it imperative that the Borough avoid any such benefit in the future.

- iv. Elimination or reduction in Borough contributions to any health plan or health plan reimbursement account or savings account;
- v. Offering several health plan options, including one at low costs but others at a higher cost or a “buy up” option;
- vi. Requiring increased cost sharing for the inclusion of spouses and dependents.
- vii. Developing coordination with other available health care coverage and enforcing such requirements.

In addition to the foregoing, a few housekeeping measures should be considered. First, with respect to all health plans, but particularly the dental, vision, disability and prescription plans, the language should clarify that the Borough is providing the plan, not coverage. It should also clarify that any decision regarding coverage will be made by the third party insurance carrier, not the Borough. The CBA should clarify that any eligibility or coverage decision by the insurance carrier is not subject to the grievance and arbitration procedure.

Finally, the CBA states on page 12 that the Borough can change health benefits if certain criteria are met. The criteria should be relaxed, but more important; this section is unclear and possibly contradicted by the provisions at the end of the first paragraph of section 1 of this section. For example, the first paragraph of section 1 states that the Borough can change health benefits if the overall plan design is equivalent to the current plan. Page 12 appears to state that the Union and the employer will explore new plans that are “the ‘same’ or ‘equal to’ or ‘better than’” the current plan. The latter language is not needed (or recommended) in light of the former and only creates confusion.

D. Longevity

In this day and age, when public employees receive generous salaries, as evidenced by the salaries in the Borough, the idea of “longevity” pay is nothing more than a hidden wage increase often unfamiliar and unknown to the public. The Borough thus needs to address the longevity pay issue. While the Borough’s longevity pay is not out of control, as is the case in other areas of the Commonwealth, it is an unnecessary cost, no matter how small.

The Borough should freeze longevity for current employees. The Borough also should pursue eliminating such pay for new hires or alternatively, as a compromise, convert longevity pay to a reward when an employee reaches a certain number of years of service, such as 15 years of service or 20 years of service. It should not be an annual bonus. Alternatively, it should be

converted to a pool of money in the budget that will be used, only if appropriate, for outstanding service to the public and the amount of the bonus should be discretionary with the Manager or Council.

E. Overtime and Hours of Work

The Borough should also address the overtime pay issue for its non-uniformed personnel. For non-uniformed personnel, overtime should be based on hours actually or physically worked and paid only at time and one-half for hours worked over 40 in a week. To achieve this goal, the Borough will have to consider the following:

1. Adjust the overtime pay requirements to be brought in line with the minimum mandates of applicable law. This would include eliminating overtime paid for more than 8 hours worked in one day.
2. Eliminate any practice or provision that requires the Borough to count any paid time off as “time worked” for the purposes of calculating whether an employee reached the threshold for the payment of overtime.
3. Eliminate premium pay for all employee groups to the extent possible. Premium pay examples include being paid a minimum number of hours for being called back into work, working overtime on a holiday, court time pay, or being called out a second time while on call.
4. The Borough does not provide compensatory time in accordance with the Fair Labor Standards Act (FLSA) for its non-uniformed employees, and it is not recommended that it does so. Compensatory time allows the Borough to avoid paying overtime when it is worked by providing an equivalent amount of time off (i.e. 1.5 hours off for each overtime hour worked), but it also can increase overtime costs when compensatory time is used. Equally troubling is the fact that compensatory time actually increases overtime costs in that the accrued time is paid out at the employee’s rate of pay in the future, which will be at an increased rate due to pay raises. Thus, such compensatory time should be avoided, but if it is made available, limitations on its accrual and use should be implemented to avoid those increased costs. Compensatory time should also be paid out at the end of each year in which it is earned. Further, unless proper accounting practices are implemented, allowing the accrual of compensatory time can cover and hide the

Borough's actual overtime expenditures in each year, unless such time is paid out at the end of each year and included in the overtime cost.

5. The Borough provides what it refers to as "compensatory time" for employees who are "salaried", i.e. employees who are exempt under the FLSA. The Borough should be careful in that paying an employee a salary does not in and of itself render an employee exempt from overtime pay under the FLSA. Although it is legal, and paying such exempt employees compensatory time will not defeat the salary test for exempt status under the FLSA, the payment of such time is not necessary.¹² Such a requirement is not required under the FLSA if the person is exempt under the FLSA. An exempt employee is one who works for the same pay regardless of the quantity or quality of work. The Borough pays this type of "comp time" on an hour for hour basis, not the hour and one-half for every hour worked basis.¹³ If anyone is receiving such "comp time," the Borough should make sure that the position is exempt under the FLSA.
6. Excess overtime does not appear to be a problem in the Borough, but to safeguard against such a problem developing each department should be allotted an overtime budget if it has the need for overtime. Further, the overtime budget in each department must be carefully monitored. Each department head must seek prior approval for exceeding the allotted overtime budget. If such prior approval is not sought, the department head must be held responsible for such an overrun. The overtime practices of each department should be reviewed. All practices that result in unnecessary or excessive unplanned overtime should be addressed and eliminated.
7. The Borough has what appears to be an FLSA Safe Harbor provision in its handbook, which is designed to protect the Borough against the improper deductions of an exempt employee's pay. This report recommends that the language of that provision be strengthened.

F. Probationary Periods

¹² The Borough should periodically review all positions to insure that such position is exempt or is not exempt based on the actual duties of each position. Such a review is beyond the purpose of this Report, but such a review should be conducted periodically to insure compliance with the FLSA.

¹³ To the Borough's credit, no matter how many hours that its exempt employees accumulate, they can only retain up to 24 hours to use the next calendar quarter. There also is no carry over from year to year. This is an example of implementing controls on what could be a potentially expensive benefit.

The applicable probationary period for new Borough employees should be extended to the fullest possible, preferably nine months to a year. The Borough's personnel policy refers to the probationary period as an "introductory period" but it spans only six months. For a municipal employer, such a period must span enough time so that the employer can ensure that an employee has the skills to perform all of the job tasks in each season, as applicable. A longer probationary period allows the Borough to more fully evaluate its new employees.

Further, while the CBA refers to an employee who completes the probationary or introductory period as a "permanent" employee, the Borough does not do so in its handbook. This should be changed. Likewise, the CBA should clarify what benefits a probationary employee has and whether such an employee has access to the grievance procedure for any reason. It also should clearly state that such an employee can be discharged without access to the grievance procedure at any time during the probationary period.

While Article 28 of the CBA provides definitions for probationary, part-time and temporary employees, the language of that section should be changed, through negotiation to eliminate any reference to "permanent" employees. Instead, such employees should be referred to as a "regular" employee, whether part-time, full-time, etc. It should also clearly state the significance of reaching that status, such as having access to benefits or access to benefits at a lower cost.

G. Leave Time.

The Borough should seek to eliminate an employee's entitlement to accumulate unused sick leave and vacation leave and the resulting payout of such accumulated paid time off. Leave should be earned and used in each calendar year, not "paid out" or "bought back." Incentives for not using leave time that benefit the Borough should be provided, but paying for unused leave time is not a reasonable or fiscally responsible incentive. Although only unused sick leave is compensated upon retirement, the same applies for all other time off. Unused time off should not be carried over from year to year or compensated in any way.

Sick leave is an insurance policy to allow an employee to be paid when he or she cannot work due to illness. It is not intended to be extra pay or compensation. The payout of all or a portion of unused leave time at the end of a year or at retirement merely creates an unfunded liability and is a hidden increase in salary. It is also a sign that the employee group has too much paid time off. The payout of unused leave time also raises serious public policy issues. The

taxpayer should not be expected to pay employees for coming to work and then providing them with a bonus for the fact that they actually came to work as they were hired to do.

While allowing that sick leave may be accrued as a replacement for a short term disability policy, it should not be permitted for any other reason. Similarly, allowing an employee without any accumulated sick leave to borrow or anticipate sick leave is not a good practice as a general rule.

H. Layoff and Recall

The CBA contains limitations on the Borough's need or ability to layoff or furlough employees and to subcontract services. Specifically, the CBA places too high of an emphasis on seniority in deciding layoff and possible recall. Recall should be limited in time to no more than a one year period, especially when there are possible certification issues. Layoffs should be based on qualification, not seniority, unless two or more employees are equal in qualifications. Seniority can be used as a tie-breaker. The same is true with recall and any potential bumping scenario under the CBA.

I. Part-Time Employees

The Borough employs part-time employees but it has agreed to limitations on their use. The most problematic limitations deal with laying off part-time employees before any full-time employee are laid off and on using full-time employees for overtime before using part-time employees. While agreeing to limit the number of hours a part-time employee can work can be acceptable, limiting the use of part-time employees can lead to costly overtime expenditures and negate the cost controlling impact of the use part-time employees.

J. Regionalization and Shared Services

The Borough has experienced the benefit of regionalization with its police services, but it should also consider the same option for its non-uniformed employees. This might be difficult with the wastewater treatment plant and its employees, depending on its geographical service area, but it is an option that should be explored, particularly if the Borough ever sells that facility. Even short of full regionalization, shared services should be considered that would include sharing equipment and possibly personnel in some cases in the future. The latter option could implicate the Borough's obligation to bargain with its unionized personnel.

Any applicable collective bargaining agreement from a new regionalized service must be carefully analyzed, however, to determine if it would reduce Borough personnel expenses.

Likewise, the Borough should revise or eliminate Article 32, entitled Successor's, to render it inapplicable to any such merger, regionalization or service sharing agreement.

K. Leave of Absence

The CBA provides a possible unpaid leave of absence. Such a benefit should be rare and it should not be in the CBA. If such a leave of absence is necessary, it can always be bargained on a case by case basis. By having it in the CBA, the Union can always challenge the Borough's exercise of discretion and in a small municipality like the Borough, it is unlikely that the Borough can efficiently function without an employee for extended period of time. This is a provision that is best not in the CBA.

L. Work Related Injury Policy

The decision to provide light duty is a managerial prerogative, not a bargainable issue. The impact of that decision is bargainable, but those issues are limited. Such a policy should not be included in any CBA, and if it is, the language should preserve the discretion of the Borough. That discretion is important because the decision to provide light duty not only impacts cost issues but also possible equal employment, disability and other issues under federal and state law.

References to the Workers' Compensation Act (WCA) and the employer's obligation under that law should also not be in the CBA. The employers and employees rights and obligations are defined by law. Likewise, the provision of the CBA paying an employee for the difference between the weekly WC benefit and his or her regular salary is neither necessary nor advisable and it should be deleted. Including legal obligations as part of the CBA only converts a possible unfair labor practice to a contractual grievance.

With the foregoing in mind, it is recommended that the Borough work to delete legal obligations under the WCA, unemployment compensation law (Article 27) and the Family and Medical Leave Act (FMLA) (Article 34) out of the CBA. If such provisions are included, they should merely provide that the Borough will comply with applicable law and that no issue under such law shall be subject to the grievance and arbitration procedure.

J. FMLA

The CBA contains a provision and several references to the FMLA. As noted above, there is no reason for this to be in the CBA. While certain employer options under the FMLA must be bargained, such as how the calendar year is determined and designating paid leave to run concurrently with FMLA leave, the whole policy does not need to be bargained and as such there is no need for it to be in the CBA. It can be maintained as a policy only in the policy manual.

Further, the CBA is unclear if the Borough is assuming FMLA obligations unnecessarily. The FMLA applies to all public employers, but not all public employees are eligible for such leave. Employees must meet all of the eligibility requirements, including working for an employer with 50 or more employees. The CBA should be clarified in this regard.

In addition, the CBA provides that employees have the option of deciding to use accrued leave time concurrently with FMLA leave. This is a bargainable issue, but it is one in which the employer should retain that option to cut down on available accrued leave. At the very least, the

Borough could retain the option but be required to leave a week or so of available accrued leave when the employee returns from FMLA leave.

The FMLA clause also contains language that states that an employee will be terminated after a specific and set time period of leave. Such provisions are problematic under the law and the Borough should re-evaluate that provision.

K. Work Rules

The CBA contains a provision relating to the work rules implemented by the employer and limits the employer's ability to do so to only those rules "reasonably required by the circumstance." This is an unnecessary provision that broadly and generally restricts the Borough's management prerogative. While some work rules may have to be bargained, not all do, but this provision appears to apply to all such rules.

L. Employee Benefits

Article 27 mandates that "benefits now existing and not in conflict with this Agreement shall remain in effect." This language is much too broad and should not be retained in the CBA. To the contrary, the CBA should contain a "zipper" clause, which eliminates any benefit unless listed the CBA.

J. Discipline

The CBA contains a just cause for discipline and discharge provision. While such language is common and acceptable, there are several obligations in this provision (Article 23) that should be eliminated, including:

1. The time period and obligation to notify the union of discipline is not necessary. The employee can notify the union if he or she wants to do so; that is not the role of the Borough.
2. The mandate to implement discipline within a "reasonable period of time" giving rise to the disciplinary action or knowledge thereof should be eliminated for several reasons. This language is broad and vague and it is unclear to what it applies. An employer has to be able to determine when an employee serves discipline in order to not unnecessarily interrupt public service. For example, a three day suspension can be served immediately and consecutively, the following month or the following month in scattered days. The Borough needs to be able to make that decision. Further, a decision

regarding discipline cannot be rushed. The employer will have to investigate and analyze the facts in order to determine if discipline is necessary and, if so, to develop the correct discipline. Such a decision and analysis cannot be rushed.

3. Employee discipline, even written reprimands, should not be expunged after any period of time. The employer is already restricted by a just cause provision and the relevance or even the staleness of any previous discipline falls into that analysis. On the other hand, the employer may need a record of past discipline for a number of reasons, particularly to combat a claim of a past practice or policy in a civil action against the Borough.

K. Supreme Court's Janus Decision and Maintenance of Membership

In June 2018, the United States Supreme Court ruled in Janus v. American Federation of State, County and Municipal Employees that fair share union fee deductions are unconstitutional under the First Amendment. The Borough appropriately eliminated that provision in its last round of bargaining. However, due to the sweeping language used by the Supreme Court in its majority decision, the Borough should review all sections of its collective bargaining agreement to determine if any other provision falls within the broad language of the Janus decision. For example, the Borough should analyze whether its "maintenance of membership" (MOM) or "union security" provisions, which appear in several of the Borough's CBAs, although authorized under Pennsylvania statutory law, might also run afoul of the First Amendment in light of the very broad language of the Janus decision. Such provisions prevent a union member from withdrawing from the union and cease paying dues until 15 days before the end of the CBA term. While the MOM is authorized under Pennsylvania law, so was the Fair Share provision. As a result, the Borough should make it clear in the next round of bargaining, assuming the law still permits a MOM clause that it wants that provision stricken. At the very least, the Borough should insist on clear and strong indemnification language if it must defend itself in any action involving that provision.

The Borough should also verify that it has authorization forms on file for each employee who is subject to the deduction of full union dues in order to make certain that such employees have authorized the removal of union dues and assessments. If no such authorization exists, the

Borough should evaluate with its labor counsel the need to obtain such authorization forms. Such authorization forms protect both the union and the Borough.

General Labor Recommendations

1. Develop an Overall Cost Containment Strategy

The Borough should develop an overall cost containment strategy for its future labor expenses. This strategy has to be consistently applied in all future collective bargaining and to the determination of employee compensation and benefits, with no exceptions and no favoring of employee groups. The strategy should avoid the expansion of any employee benefit, especially in the areas of employee health care, pension and post-retirement health benefits.

2. Term of CBA

Any new collective bargaining agreement should be kept to the shortest possible term. Such a strategy will provide the Borough with the flexibility to contain costs on an ongoing basis and avoid a reduction in services. This is particularly applicable to health benefits.

3. Benefits Audit

The Borough should conduct a benefits audit to determine the benefits provided to each bargaining unit and the cost of such benefits. The audit should include the total cost of all compensation including paid time off provided to its unionized and its non-union employees. The Borough can utilize this information to explore offers by other providers that provide similar benefits in a less expensive manner or structure. The following can serve as a guide to the Borough as it reviews the benefits and costs associated with providing these benefits.

- i. Health Care Options: As previously noted the Borough must reduce its healthcare costs through a combination of employee cost sharing and plan restructuring. Employee cost sharing is a reality in today's work place for all employees, uniformed and non-uniformed. Plan redesign, which includes increased deductibles and co-pays that are paid in large part by the employee, is the best option to lower costs in today's healthcare market and to avoid the possibility of being subjected to the Cadillac tax in 2022. It is becoming more and more common for employees in both the private and public sector to contribute to the

cost of their own health insurance, but unless such contributions are significant, they will not provide much cost relief for the taxpayers.

The Borough should also negotiate new language in each CBA to allow the Borough to shop for and implement less expensive benefit plans with comparable benefits. The current language is unclear and too restrictive. If the cost sharing options noted above are achieved, implementing less expensive but comparable health benefits will be welcomed by employees.

Consideration should also be given to providing a new array of benefit choices and cost sharing options to allow employees to select a less expensive health care plan with lower cost sharing obligations or more expensive plans with higher cost sharing. Multiple benefit options would allow the Borough to provide several plans with different plan designs from which the employees can choose depending upon their needs and cost sharing preferences while also achieving the goal of reducing costs.

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

- ii. Healthcare Eligibility Audits: Eligibility coordination rules for employees who have access to health care elsewhere should be developed for all employees. Periodic eligibility audits should be conducted. The audit should also ensure that the Borough has coordination and carve outs for certain contingencies. If an employee can get comparable coverage elsewhere or his or her dependents can do so, the Borough should not be obligated to provide coverage. Having this option is useful, but its utility is limited if there is no effective periodic audit or enforcement procedure in place.

4. Job Descriptions

The Borough should regularly review job descriptions to ensure they are accurate and that all job positions are properly classified. It is not uncommon for the duties of a position to change

over time, which could impact the rights and obligations of the Borough under applicable labor, employment and compensation laws.

5. Employee Policy and Procedure Manual

The Borough provided a personnel manual for review. The manual was revised in March of 2018 and it appears to be up to date. This is an important document that can apply to all employees as long as it contains the appropriate language. It should apply to all employees, while carving out represented employees to the extent the handbook conflicts with collectively bargained language or other bargaining rights.¹⁴

¹⁴ Although a very minor issue, in at least one section, the manual refers to the National Labor Relations Act. It should refer to the Pennsylvania Employee [Sic] Relations Act (PLRA).

CHAPTER 9 OBSERVATIONS AND RECOMMENDATIONS

Introduction

The Borough of Lemoyne faces challenges ahead as projections indicate that its General Fund expenditures will outpace General Fund revenues starting in 2021, resulting in increasing annual deficits. Clearly, the Borough needs to examine appropriate expenditure reductions and potential revenue increases to mitigate these anticipated deficits without depleting its fund balance.

A number of major recommendations relate to the Lemoyne Municipal Authority including taking immediate action on a sewer rate study. The Borough has options concerning the disposition of the sewer system, up to and including a sale, that are outlined in detail in Chapter 7. A decision on the sewer system will impact whether to take action on certain other recommendations such as a cost allocation study and a capital improvement plan, and the Borough should start to consider that decision immediately. If it retains the sewer system, the Borough should seek opportunities to increase waste flow and consider whether it is prudent to maintain the authority. Lastly, the Borough should take steps to eliminate the annual \$250,000 capital reserve transfer to the authority.

Several key recommendations center on the Borough's relationships with other entities including the West Shore Regional Police Department, the West Shore Bureau of Fire and the West Shore Recreation Commission. While the Borough should be commended for participating in regional service arrangements, Lemoyne must also protect its financial interests. The Borough should ensure that agreements with these entities are followed with regards to budget, cost allocation and reporting responsibilities.

Despite projected deficits, the Borough currently has a healthy fund balance in the General Fund of over \$3 million as of yearend 2018. It is recommended that a portion of these existing funds be used to develop and fund a capital improvement program. Along those same lines, the Borough should establish a minimum fund balance percentage of its operating revenue and transfer funds in excess of this to the Capital Reserve Fund

There are also numerous suggested initiatives in terms of labor and collective bargaining that are designed to cut costs long-term in the areas of health care, pension, overtime and more. In addition, the report includes recommendations to strengthen Borough operations, such as

creating a purchase order system, making greater use of technology, and considering hiring contractors for certain tasks.

The Pennsylvania Economy League advises the Borough to consider the recommended initiatives as outlined in the remainder of this chapter. Recommended target dates for initiatives are immediate, short term (one to two years) and long term (two years or more). Budget impact refers to the General Fund unless otherwise noted. **PEL encourages the Borough to seek Strategic Management Planning Program Phase II funding for initiatives as appropriate.** Certain initiatives will require funding that might be obtained through STMP Phase II or other state programs.

RECOMMENDED INITIATIVES

SEWER

SEWER 01:	Take action on rate study	
	Target Date:	Immediate
	Responsible Party:	Borough Council
	Budget Impact:	Sewer Fund Revenues necessary to avoid draw on General Fund

- Prior to the end of 2019, take action necessary to implement the rate increase regime recommended by the rate consultant and for which a consensus of the Sewer Committee was reached.

SEWER 02:	Decide on sewer system direction	
	Target Date:	Immediate
	Responsible Party:	Council
	Budget Impact:	Stabilize Sewer Operations to shield general fund from having to subsidize sewer fund.

- Decide whether the Borough desires to dispose of the Sewer System (e.g. Sale, Lease or Concession). This would eliminate the need to focus on Recommendations 3 through 7.

SEWER 03:	Capital Improvement Plan	
	Target Date:	Short Term
	Responsible Party:	Borough Manager and Engineer
	Budget Impact:	Financial management of Sewer Fund and Reserves.

- Develop a Long-Term Capital Improvement Plan and Funding Plan and use the amounts in the LMA Sewer Capital Reserve for capital expenditures in the interim.

SEWER 04:	Eliminate capital reserve transfer	
	Target Date:	Short Term
	Responsible Party:	Business Manger
	Budget Impact:	Reduce strain on Sewer reserves to shield General Fund.

- Amend the 2011 Lease to eliminate the \$250,000 per year capital reserve transfer and \$16,000 per year administrative fee.

SEWER 05:	Conduct a cost allocation study	
	Target Date:	Long Term
	Responsible Party:	Borough Manager
	Budget Impact:	Should result in some additional money going to General Fund.

- Undertake a comprehensive overhead study to determine how much of the Sewer System’s revenues should be used to pay allocable overhead of the Borough and build this into rate base calculations.

SEWER 06:	Discuss options concerning Lemoyne Municipal Authority	
	Target Date:	Short Term
	Responsible Party:	Council
	Budget Impact:	Stabilize Sewer Operations to shield general fund from having to subsidize sewer fund.

- Determine whether maintaining the LMA makes sense or whether the Borough should consider terminating the LMA and transferring all assets back to the Borough (while

satisfying all obligations of the LMA by either refinancing or assuming debt obligations, etc.).

SEWER 07:	Seek opportunities to increase waste flow	
	Target Date:	Long Term
	Responsible Party:	Manager and Engineer with help from outside consultant
	Budget Impact:	Increase Revenues to Sewer Fund.

- Consider retaining a consultant or operator to flesh out opportunities to increase waste flow or processing at the Sewer Treatment Plant.

FINANCE

FIN 01:	Establish a separate Special Revenue Fund for fire services millage and broaden the ordinance language to permit use of the funds for any or all fire related services	
	Target Date:	FY 2020 Budget
	Responsible Party:	Borough Council/Solicitor/Administration
	Budget Impact:	Free up General Fund Revenues/Fiscal Management

- The Borough levies a separate millage of 0.48 mills for fire service. The current ordinance indicates that the levy is for appropriation to the West Shore Bureau of Fire. During 2018 the Borough dispersed \$172,322 for fire services to the West Shore Bureau of Fire, though it ended the year with an unspent fire tax balance of \$129,997.
- By broadening the language in the ordinance related expenses such as those for fire hydrants could also be paid, thus shifting these funds from the General Fund.

FIN 02:	Develop and maintain a comprehensive multi-year capital improvement program (CIP)	
	Target Date:	Short Term
	Responsible Party:	Administration/Borough Council
	Budget Impact:	Fiscal Management

- Although a Capital Reserve Fund is established there is no overall capital plan currently in place and decisions are made based on an immediate need with no long-term plan in place.
- The Borough should begin a Borough-wide inventory to assess the most current and critical repair and replacement needs for equipment, buildings and infrastructure and establish a multi-year capital program to address these needs.
- Development of a sustainable CIP must begin with an assessment of existing capital assets. Borough staff can begin this process though assistance from the Borough’s engineer and other professionals will also be needed. PennDOT’s Local Technical Assistance Program can also provide resources to assist with the assessment process.

FIN 03:	Transfer \$500,000 from the Borough’s balance in the General Fund to fund the CIP	
	Target Date:	2020 Budget
	Responsible Party:	Borough Council
	Budget Impact:	Fiscal Management

- At the end of 2018, the Borough had a balance in the General Fund of \$3,208,000, which is more than one year’s budgeted expenses. It further had a fund balance in the Capital Projects Fund of \$430,000.
- This transfer would provide almost \$1 million to initially implement a comprehensive capital program. It would not jeopardize the General Fund’s solvency as even after the transfer there would still be a fund balance of approximately one year’s expenditures.
- The first step in the development of the Capital Improvement Plan would be to engage professional expertise to assist in the development of this plan as noted above.

FIN 04:	Establish a minimum fund balance percentage of Operating Revenue and transfer funds in excess of this to the Capital Reserve Fund	
	Target Date:	Short Term
	Responsible Party:	Borough Council
	Budget Impact:	Fiscal Management

- As a financial policy the Borough should establish as a goal maintaining a Fund Balance as a certain percentage of Operating Revenue. At a minimum this should be ten percent

although based on history, Lemoyne may want to establish a higher percentage. Funds above the established percentage could then be transferred to the Capital Reserve Fund.

- This would provide an ongoing funding stream for capital needs as well as maintaining an adequate fund balance to address emergency situations that may occur.

FIN 05:	Undertake an RFP process for general liability, property damage, vehicle coverage, errors and omissions, theft, umbrella and workers compensation insurance	
	Target Date:	Short Term
	Responsible Party:	Administration/Borough Council
	Budget Impact:	Expenditure Reduction

- The Borough should prepare and issue an RFP for its general insurance needs to include general liability, property damage, vehicle coverage, errors and omissions, theft, umbrella and workers compensation insurance prior to the expiration of its current coverages. The Borough may seek professional assistance to prepare the RFP and to research the responses to avoid under or over insurance coverage.
- The RFP should provide for a three-year period of coverage as this provides a reasonable time to account for claims. A review of all assets should occur to ensure that none are missed and values current. Likewise, deductibles should be adjusted to a relatively high amount to reduce premiums as the Borough has resources to account for minor losses. Although the municipal marketplace is a niche market, cost reductions are likely.

FIN 06:	Review and update all permit and fees to ensure the cost of services related to them are covered	
	Target Date:	Short Term
	Responsible Party:	Administration/Borough Council
	Budget Impact:	Revenue Generation

- The Borough imposes a number of permits, licenses and fees for various activities including building, zoning, signage, ordinance violations and rental unit registration/inspections.
- As Borough costs increase it is important to periodically review and update fees related to the services provided to ensure there is a full cost recovery, otherwise general tax revenue must be used to offset the difference.

FIN 07:	Ensure provisions of the intergovernmental agreement with Wormleysburg for the West Shore Regional Police Department are followed especially with respect to the budget, cost allocation and financial reporting processes	
	Target Date:	Short Term
	Responsible Party:	Borough Council
	Budget Impact:	Fiscal Management/Cost Containment

- The intergovernmental agreement for the provision of police service by the West Shore Regional Police Department provides that the Commission prepare an annual budget and submit it “for consideration and approval” to Lemoyne and Wormleysburg no later than October 1 of each year. If approvals do not occur, the Commission’s prior year’s budget shall be operative until such approvals occur.
- This process has not been followed in recent years and provides the Borough with an opportunity to review and discuss the Bureau’s operation with the Commission.
- Likewise, the Commission is to provide quarterly financial reports and an annual financial report by March 15 of each year to each Borough. This is an important accountability step to ensure the fiscal integrity of the Bureau.

FIN 08:	Ensure provisions of the intergovernmental agreement with Wormleysburg for the West Shore Bureau of Fire are followed especially with respect to the budget, cost allocation and financial reporting processes	
	Target Date:	Short Term
	Responsible Party:	Borough Council
	Budget Impact:	Fiscal Management/Cost Containment

- The intergovernmental agreement for the provision of fire service by the West Shore Bureau of Fire provides that “On or before October 1 of each year, the Commission shall prepare and submit to Lemoyne and Wormleysburg an annual budget.” Their proposed budget is to reflect all anticipated revenues and expenditures and the amount being requested from each Borough. The Commission’s budget is to be approved by each municipality prior to December 31 or the Bureau’s previous year’s budget is to be applied.
- This process has not been followed in recent years and provides the Borough with an opportunity to review and discuss the Bureau’s operation with the Commission.
- Likewise, the Commission is to provide quarterly financial reports and an annual financial report by March 15 of each year to each Borough. This is an important accountability step to ensure the fiscal integrity of the Bureau.

FIN 9:	Ensure provisions of the intergovernmental agreement with Goldsboro, Lewisberry and New Cumberland Boroughs and Fairview and Lower Allen Township for the West Shore Recreation Commission are followed especially with respect to the budget, cost allocation and financial reporting processes	
	Target Date:	Short Term
	Responsible Party:	Borough Council
	Budget Impact:	Fiscal Management/Cost Containment

- The intergovernmental agreement for the provision of recreation services by the West Shore Recreation Commission provides that the Commission shall prepare and submit an annual budget to all participating municipalities on or before August 31 of each year.
- Their proposed budget is to reflect all anticipated revenues and expenditures for the operation of the Commission. It is also to include the amount of cash necessary or

desirable to fund the Commission’s operations that are being requested from each participant. Each participant’s contribution is to be a percentage of the population of the respective municipality based on the most recent census data.

- The Commission’s budget is to be approved by each municipality prior to September 30. Council approved the budget and requested contribution of \$2.50 per capita for 2019 on September 20, 2018. This is the same per capita contribution as was allocated in 2018.
- The Commission is also to provide each participant with an annual report and audit of its activities by September 15 of each year. It is likewise important that this process be followed as it provides the Borough with an opportunity to review and discuss the Commission’s operation and address any questions or concerns.

FIN 10:	Continue active participation in the Capital Region Council of Governments (COG) and their various programs. Pursue other shared service arrangements with surrounding municipalities	
	Target Date:	Short Term
	Responsible Party:	Borough Council
	Budget Impact:	Expenditure Reduction

- The Capital Region COG is comprised of 42 municipalities in Cumberland, Dauphin and York Counties. Lemoyne has been an active member of the COG and participates in many of their programs including sale of surplus property, annual salt bids, cable TV franchise negotiation and UCC Appeals Board. The Borough should continue to participate in these programs and pursue other opportunities in the COG.
- Lemoyne likewise has utilized the Intergovernmental Cooperation Act to join with Wormleysburg for both police and fire services. This arrangement has benefitted both Boroughs and resulted in cost savings compared to each having their own departments. They also participate with 5 other municipalities in the West Shore Recreation Commission. The Borough’s pool is one of the resources provided to and managed by the Commission.
- The Borough is to be commended for embracing all of these initiatives and recognizing the value of cooperative approaches to service delivery. With that said, there are other possible shared services that could be pursued especially with sharing public works equipment and services.

FIN 11:	Consider an increase in real estate taxes in 2022 or 2023	
	Target Date:	Long Term
	Responsible Party:	Borough Council
	Budget Impact:	Revenue Generation

- The projected deficit for 2020 of \$818 is minimal and may not occur with prudent management of the budget. With implementation of some of the above recommendations deficits in 2021 and 2022 could be erased.
- The Borough’s significant fund balance provides a reserve in the event of an economic downturn or emergency occurrence and could be used to close any minimal gaps. By 2023 though the projected deficit of \$170,000 may be too great to close even with implementation of the above measures. At that time consideration should be given to a modest increase in real estate taxes. This would provide a 5-year interval from the last real estate increase which occurred in 2018.
- Although the Borough Code authorizes a total property tax rate for general purposes of 30 mills, as stated in Chapter 3, the Borough must remain competitive with other municipalities in the region. The current levy of 3.13 mills as shown in Table 3-5 is not out of line with other jurisdictions.
- Each mill of real estate returns an estimated \$533,000 and each 0.1 returns \$53,300 based on the Borough’s current assessed value of real estate. Thus a 0.2 mill increase would generate over \$100,000 and along with the above recommendations would be sufficient to offset the projected deficit.

FIN 12:	Take advantage of PML training and other assistance for STMP communities	
	Target Date:	Short Term
	Responsible Party:	Administration
	Budget Impact:	N/A

- The Pennsylvania Municipal League provides a 20-week, webinar based training in the areas of Communications, Finance, Labor Relations, Planning and Technology. The

course fee is reimbursed upon completion for municipalities that undergo an STMP study. Information is available here: www.pamatc.org

- PML also has a municipal internship program that gives preference to STMP municipalities. Information is available here: www.pamip.org

ADMINISTRATION

ADMIN 01:	Implement a Purchase Order System in Financial System	
	Target Date:	Short Term
	Responsible Party:	Borough Manager
	Budget Impact:	Potential expenditure

- Implementing a purchase order system within the City’s financial software suite will ensure proper oversight of City funds and, with the addition of encumbrance accounting, provide stakeholders a more accurate picture of financial commitments in real time.
- The Borough should reach out to its financial accounting software system provider (Dallas Data Systems) to ascertain the costs, both in licensing and training, of implementing a Purchase order system to account for this activity in their 2020 budget.

ADMIN 02:	Move Code Officer and Parks employee costs back under proper department	
	Target Date:	2020 Budget
	Responsible Party:	Borough Manager
	Budget Impact:	Improve Financial Management

- The Borough should move employee expenditures for code enforcement back to the Protective Inspection Department to provide a more accurate depiction of the costs of these activities to council, citizens and other stakeholders.
- The Borough still collects payroll hours in this fashion, so reverting to this accounting would not require significant change to the course of day-to-day operations.

ADMIN 03:	Move Pool Maintenance employee costs back into the Pool Fund	
	Target Date:	2020 Budget
	Responsible Party:	Borough Manager
	Budget Impact:	Improve Financial Management

- The Borough should move employee expenditures associated with staff time devoted to pool maintenance back into the Pool Fund to provide a more accurate depiction of the costs of pool costs to council, citizens and other stakeholders.

ADMIN 04:	Solicit information on PayChex electronic timesheet/timekeeping offerings	
	Target Date:	Short Term
	Responsible Party:	Manager
	Budget Impact:	Potential expenditure

- The Borough’s timekeeping processes are very manual in nature, and require PayChex, to enter this employee-level timesheet data into the PayChex system. The Borough should solicit information on PayChex electronic timesheet or timekeeping offerings to weigh the added costs of these features with the reduced staff time processing bi-weekly payroll cycles.

ADMIN 05:	Increase Rental Inspection fees to recoup costs of the Protective Inspection Department	
	Target Date:	Short Term
	Responsible Party:	Manager/Council
	Budget Impact:	Potential revenue

- It is common for municipalities to structure their rental registration and inspection fees to recover the costs associated with code enforcement activities. However, a review of revenue figures shows that the Borough only recoups approximately \$11,000 annually in registration and inspection fees. Registration fees are currently set at \$10 per year per unit which, according to the Borough’s 2018 Fee Schedule Resolution, covers “...the registration and the initial and/or cycle inspection.”

PUBLIC WORKS

PW 01:	Develop a Capital Plan	
	Target Date:	Short Term
	Responsible Party:	Superintendents
	Budget Impact:	Fiscal Management

- The Borough should develop a capital improvement plan process to document the long-term capital needs of departments and Borough infrastructure, score those capital needs in terms of priority, and outline financing opportunities to meet those needs.
- This should include, but not be limited to, road and bridge infrastructure needs, department vehicle and equipment schedules, and information technology items (e.g. servers, workstations, and critical software).
- Even if not all components of the plan can be funded, a capital improvement plan is an essential tool to multi-year planning and creates a paradigm through which priorities are set.

PW 02:	Competitively bid landscaping services and tree cutting services and review staffing level	
	Target Date:	Short Term
	Responsible Party:	Maintenance Superintendent
	Budget Impact:	Potential expenditure

- There are increasing pressures on the small Maintenance Department staff across its various services areas. The Borough should review staffing needs while soliciting proposals or bids from qualified vendors for landscaping and tree cutting services to compare costs.

PW 03:	Conduct energy efficiency audit of Borough Building	
	Target Date:	Short Term
	Responsible Party:	Maintenance Supervisor
	Budget Impact:	Potential cost savings

- The Borough should solicit expertise to conduct an energy efficiency audit of the Borough Building to see if energy costs can be reduced and savings can be realized after initial capital costs to improve building efficiency.

PW 04:	Demo work order and fleet management software services	
	Target Date:	Short Term
	Responsible Party:	Maintenance Superintendent
	Budget Impact:	Potential expenditure

- Public Works operations nationally are gradually adding technology as a management tool to use strained resources effectively.
- The Borough should consider seeking information on some of this technology, particularly in cases where already-licensed software may have additional modules that would benefit the Maintenance Department.
- For instance, the iWorQ software that is currently used by code enforcement also offers a number of public works modules including fleet and work order management.

LABOR

LABOR 01:	Conduct salary and job description study	
	Target Date:	Short Term
	Responsible Party:	Manager
	Budget Impact:	Financial management

- Currently, managerial employees are not paid much more than the supervisory employees. Notwithstanding the fact that current salaries can be characterized as relatively reasonable and manageable for the Borough at this time, the salaries for rank and file employees are beginning to show the early signs of “wage creep.” To resolve this issue, the Borough should consider conducting a professional position compensation study to review salaries and job descriptions of existing employees.
- In addition, the Borough should regularly review job descriptions to ensure they are accurate and that all job positions are properly classified. It is not uncommon for the duties of a position to change over time, which could impact the rights and obligations of the Borough under applicable labor, employment and compensation laws.

LABOR 02:	Consider new pay scale for new hires	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The Borough should consider creating and seeking a new, more graduated pay scale for new hires.

LABOR 03:	Consider proactive changes for pension plans	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The Borough appears to have reduced or eliminated pension contributions for non-uniformed employees. This is not advisable and it is recommended that Borough employees financially contribute and fund their own pension benefit.
- The Borough should consider contractual language requiring at least a five percent employee pension contribution or higher if possible and permitted by law. This requirement will have to be negotiated with the Borough’s unionized employees and may be implemented gradually over time.
- No new pension benefits (or methods of paying existing benefits, i.e. a DROP) should be added to the Pension Plan in the future. The Borough’s Pension Plan appears to be sufficiently funded so that the focus should be on controlling future cost increases and positioning the plan against future uncertainties.
- If the Borough agrees to an enhancement of current pension benefits that enhancement should not be permanent; it should be conditioned upon a clear and certain significant reduction in pension or other costs.
- The Pension Plan should be reviewed to determine what current benefits, if any, can be reduced under the law if it becomes necessary in the future to control costs.
- The Borough should make sure that no lump sum payments or overtime are included in any pension calculation, and the Borough should avoid providing or increasing cost of living allowances or other costly “add-on” benefits that drive up costs.
- The Borough’s plan was cited for providing incorrect information on the AG Form 385. This is not an uncommon finding, but it should be avoided. The Borough should implement new pension procedures and financial controls.

LABOR 04:	Pursue changes to health care	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- Employee health care contributions should continue to increase and be linked to the premium cost.
- Increase employee health care deductibles, even gradually, to obtain lower health care costs. Currently, the Borough’s employees have a very small deductible. Increasing the deductible will not only lower the premiums, but also require Borough employees to fund the deductible or a large portion of it, which encourages behavior that will lower health care costs overall.
- Consider creating a Flexible Spending Account (“FSA”) that permits employees to put money into a tax-free account to use for paying deductibles, co-pays and other eligible health care costs. The Borough may consider making a financial contribution to an employee’s account, on a temporary basis, to help phase in the new culture with an FSA. Two other tax advantage savings programs the Borough may consider establishing are a Health Reimbursement Arrangement (“HRA”) or Health Savings Account (“HSA”).
- The Borough’s currently CBA does not contain any effective language dealing with the High Cost Plan Tax (HCPT) or the so-called Cadillac Tax under the Affordable Care Act. The Borough needs to negotiate contractual language requiring its unions to discuss ways of reducing costs to provide benefits that do not invoke the HCPT.
- Additional general options to control health care costs that the Borough should pursue include:
 - Possible health, prescription and vision plan changes/redesign;
 - Increases/changes in office visit co-pay amounts, prescription co-pay amounts;
 - Mandatory generic drug requirements;
 - Elimination or reduction in Borough contributions to any health plan or health plan reimbursement account or savings account;
 - Offering several health plan options, including one at low costs but others at a higher cost or a “buy up” option;
 - Requiring increased cost sharing for the inclusion of spouses and dependents.

- Developing coordination with other available health care coverage and enforcing such requirements.
- Clarify language concerning health care as indicated in Chapter 8.

LABOR 05:	Address longevity pay	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- “Longevity” pay is nothing more than a hidden wage increase often unfamiliar and unknown to the public.
- The Borough should freeze longevity for current employees. The Borough also should pursue eliminating such pay for new hires or alternatively, as a compromise, convert longevity pay to a reward when an employee reaches a certain number of years of service, such as 15 years of service or 20 years of service. It should not be an annual bonus.

LABOR 06:	Address overtime pay	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- For non-uniformed personnel, overtime should be based on hours actually or physically worked and paid only at time and one-half for hours worked over 40 in a week. To achieve this goal, the Borough will have to consider the following:
 - Adjust the overtime pay requirements to be brought in line with the minimum mandates of applicable law. This would include eliminating overtime paid for more than 8 hours worked in one day.
 - Eliminate any practice or provision that requires the Borough to count any paid time off as “time worked” for the purposes of calculating whether an employee reached the threshold for the payment of overtime.
 - Eliminate premium pay for all employee groups to the extent possible.

- The Borough does not provide compensatory time in accordance with the Fair Labor Standards Act (FLSA) for its non-uniformed employees, and it is not recommended that it does so.
- The Borough provides what it refers to as “compensatory time” for employees who are “salaried,” i.e. employees who are exempt under the FLSA. The Borough pays this type of “comp time” on an hour for hour basis, not the hour and one-half for every hour worked basis. If anyone is receiving such “comp time,” the Borough should make sure that the position is exempt under the FLSA.
- Each department should be allotted an overtime budget if it has the need for overtime. Further, the overtime budget in each department must be carefully monitored. Each department head must seek prior approval for exceeding the allotted overtime budget. If such prior approval is not sought, the department head must be held responsible for such an overrun. The overtime practices of each department should be reviewed. All practices that result in unnecessary or excessive unplanned overtime should be addressed and eliminated.
- The Borough has what appears to be an FLSA Safe Harbor provision in its handbook, which is designed to protect the Borough against the improper deductions of an exempt employee’s pay. This report recommends that the language of that provision be strengthened.

LABOR 07:	Extend probationary period	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The applicable probationary period for new Borough employees should be extended to the fullest possible, preferably nine months to a year.
- While the CBA refers to an employee who completes the probationary or introductory period as a “permanent” employee, the Borough does not do so in its handbook. This should be changed.
- Likewise, the CBA should clarify what benefits a probationary employee has and whether such an employee has access to the grievance procedure for any reason.

- The CBA also should clearly state that such an employee can be discharged without access to the grievance procedure at any time during the probationary period.
- While Article 28 of the CBA provides definitions for probationary, part-time and temporary employees, the language of that section should be changed, through negotiation to eliminate any reference to “permanent” employees. Instead, such employees should be referred to as a “regular” employee, whether part-time, full-time, etc. It should also clearly state the significance of reaching that status, such as having access to benefits or access to benefits at a lower cost.

LABOR 08:	Seek to eliminate payouts for unused accumulated time	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The Borough should seek to eliminate an employee’s entitlement to accumulate unused sick leave and vacation leave and the resulting payout of such accumulated paid time off. Unused time off should not be carried over from year to year or compensated in any way.

LABOR 09:	Consider changes for layoff and recall language	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The CBA contains limitations on the Borough’s need or ability to layoff or furlough employees and to subcontract services. Specifically, the CBA places too high of an emphasis on seniority in deciding layoff and possible recall.
- Recall should be limited in time to no more than a one year period, especially when there are possible certification issues. Layoffs should be based on qualification, not seniority, unless two or more employees are equal in qualifications. Seniority can be used as a tie-breaker. The same is true with recall and any potential bumping scenario under the CBA.

LABOR 10:	Seek to eliminate limitations on part-time employee use	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney

	Budget Impact:	Expenditure control
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- The Borough employs part-time employees but it has agreed to limitations on their use. The most problematic limitations deal with laying off part-time employees before any full-time employee are laid off and on using full-time employees for overtime before using part-time employees.
- While agreeing to limit the number of hours a part-time employee can work can be acceptable, limiting the use of part-time employees can lead to costly overtime expenditures and negate the cost controlling impact of the use part-time employees.

LABOR 11:	Increase regionalization	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The Borough has experienced the benefit of regionalization with its police services, but it should also consider the same option for its non-uniformed employees.
- Even short of full regionalization, shared services should be considered that would include sharing equipment and possibly personnel in some cases in the future. The latter option could implicate the Borough’s obligation to bargain with its unionized personnel.
- Any applicable collective bargaining agreement from a new regionalized service must be carefully analyzed to determine if it would reduce Borough personnel expenses.
- Likewise, the Borough should revise or eliminate Article 32, entitled Successor’s, to render it inapplicable to any such merger, regionalization or service sharing agreement.

LABOR 12:	Eliminate unpaid leaves of absence	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The CBA provides a possible unpaid leave of absence. Such a benefit should be rare and it should not be in the CBA.

LABOR 13:	Seek to eliminate certain language from the CBA	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The decision to provide light duty is a managerial prerogative, not a bargainable issue. Such a policy should not be included in any CBA, and if it is, the language should preserve the discretion of the Borough.
- References to the Workers’ Compensation Act (WCA) and the employer’s obligation under that law should also not be in the CBA.
- It is recommended that the Borough work to delete legal obligations under the unemployment compensation law (Article 27) and the Family and Medical Leave Act (FMLA) (Article 34) from the CBA. If such provisions are included, they should merely provide that the Borough will comply with applicable law and that no issue under such law shall be subject to the grievance and arbitration procedure.
- The CBA contains a provision and several references to the Family and Medical Leave Act. As noted above, there is no reason for this to be in the CBA.

LABOR 14:	Eliminate accumulation of sick or other leave time	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure control

- The Borough should seek to eliminate an employee’s entitlement to accumulate unused sick leave or any form of unused leave time, particularly if it results in a payout of such accumulated paid time off.
- Paid leave is paid time off that is included in an employee’s budgeted salary. It is not an extra hidden salary; leave should be earned and used (not “paid out” or “bought back”) in each calendar year. This applies to any form of paid leave, sick time, vacations, personnel days or holidays.
- The CBA contains a provision relating to the work rules implemented by the employer and limits the employer’s ability to do so to only those rules “reasonably required by the circumstance.” This is an unnecessary provision that broadly and generally restricts the

Borough’s management prerogative. While some work rules may have to be bargained, not all do, but this provision appears to apply to all such rules.

- Article 27 mandates that ‘benefits now existing and not in conflict with this Agreement shall remain in effect.’ This language is much too broad and should not be retained in the CBA. To the contrary, the CBA should contain a “zipper” clause, which eliminates any benefit unless listed the CBA.
- The CBA contains a just cause for discipline and discharge provision. While such language is common and acceptable, there are several obligations in this provision (Article 23) that should be eliminated, including:
 - The time period and obligation to notify the union of discipline is not necessary.
 - The mandate to implement discipline within a “reasonable period of time” giving rise to the disciplinary action or knowledge thereof should be eliminated.
 - Employee discipline, even written reprimands, should not be expunged after any period of time.

LABOR 15:	Review CBA to determine if other provisions fall under the Janus decision	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure reduction

- In June 2018, the United States Supreme Court ruled in Janus v. American Federation of State, County and Municipal Employees that fair share union fee deductions are unconstitutional under the First Amendment. The Borough appropriately eliminated that provision in its last round of bargaining. However, due to the sweeping language used by the Supreme Court in its majority decision, the Borough should review all sections of its collective bargaining agreement to determine if any other provision falls within the broad language of the Janus decision.

LABOR 16:	Develop an Overall Cost Containment Strategy	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure reduction

- The Borough should develop an overall cost containment strategy for its future labor expenses. This strategy has to be consistently applied in all future collective bargaining and to the determination of employee compensation and benefits, with no exceptions and no favoring of employee groups. The strategy should avoid the expansion of any employee benefit, especially in the areas of employee health care, pension and post-retirement health benefits.

LABOR 17:	Shorten CBA term	
	Target Date:	In Conjunction with Collective Bargaining
	Responsible Party:	Manager/Labor Attorney
	Budget Impact:	Expenditure reduction

- Any new collective bargaining agreement should be kept to the shortest possible term. Such a strategy will provide the Borough with the flexibility to contain costs on an ongoing basis and avoid a reduction in services. This is particularly applicable to health benefits.

LABOR 18:	Conduct a benefits audit	
	Target Date:	Short Term
	Responsible Party:	Manager
	Budget Impact:	Expenditure reduction

- The Borough should conduct a benefits audit to determine the benefits provided to each bargaining unit and the cost of such benefits. The audit should include the total cost of all compensation including paid time off provided to its unionized and its non-union employees. The Borough can utilize this information to explore offers by other providers that provide similar benefits in a less expensive manner or structure.