



Upper Darby Township, Pennsylvania Five-Year Financial Management Plan

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Executive Summary

In 2021, Upper Darby Township Mayor Barbarann Keffer and her Administration applied to the Pennsylvania Department of Community and Economic Development (DCED) for technical assistance through the Strategic Management Planning Program (STMP).

DCED had previously funded a Phase I STMP engagement that started under the prior administration, was focused on economic development in a specific area, and ended in the middle of the pandemic. By the end of the engagement, there had been several changes within Township government and the world around Upper Darby. The federal government enacted the American Rescue Plan Act of 2021 (ARPA) and provided millions of dollars in relief funding to Upper Darby, but those funds arrived near the end of the Phase I study and too late to be included. Some health and safety restrictions enacted during the pandemic were rolled back, but there was still a lot of uncertainty how much and how quickly the local economy would recover.

Against this background, the Keffer Administration asked DCED to fund a new STMP engagement that would restart the financial planning process. They recognized the Township’s weakening financial position and sought a deeper dive into the trends driving those results. DCED supported this approach, and, in the Summer of 2022, the Township launched the engagement that culminated in this multi-year financial plan.

Twelve months later, the Township has entered another transition period, with a new Administration expected to take office in less than six months. The Keffer Administration is committed to finishing strong and will lead Upper Darby through the 2024 budget process this fall. The next Administration will need to hit the ground running in January 2024. This Plan provides analysis and recommendations to help both administrations through this transition and position Upper Darby for better performance beyond 2024.

The concerns expressed at the start of this engagement about the Township government’s declining financial performance were well founded.

Upper Darby had deficits in its primary operating fund each year from 2018 through 2021¹. That string of deficits exhausted most of the Township’s reserves, leaving Upper Darby with just \$0.1 million in unassigned fund balance (i.e. the portion of a government’s reserves with the most flexible use) at the end of 2021. The Township finished 2021 with \$1.5 million in cash and cash equivalents, down 83.8 percent from 2018.

Reserve Measures, 2017 – 2021 Audited results

	2017	2018	2019	2020	2021
Cash and cash equivalents	\$8.0	\$9.3	\$7.9	\$5.6	\$1.5
Unassigned fund balance	\$4.9	\$4.5	\$6.0	\$2.2	\$0.1
Total Fund balance	\$8.2	\$7.0	\$6.1	\$2.3	\$0.2
Expenditures	\$72.4	\$76.4	\$77.9	\$76.8	\$81.0
Unassigned as % of expenditures	6.7%	5.9%	7.7%	2.8%	0.2%
Net change in fund balance	\$0.4	(\$1.3)	(\$0.9)	(\$3.8)	(\$2.1)

¹ As of June 2023, the Township was working to finalizing its 2022 year-end external audit. All 2022 figures shown in this Plan are budgeted amounts unless otherwise noted.



Others have also taken notice of this trend.

In July 2022, S&P Global Ratings downgraded the Township's credit rating on its general obligation debt from A+ to A with a negative outlook². The downgrade cited Upper Darby's "weak financial performance" including the string of deficits, low reserves, and reliance on federal stimulus funding to plug budget holes.

In April 2023, S&P Global Ratings withdrew the Township's credit rating entirely because the 2021 year-end external audit was incomplete. While the 2021 audit is finished, the results in it showed another deficit and dwindling reserves (see prior table). So, the Township will wait to apply for credit rating reinstatement until the 2022 audit is complete.

Township officials expect the 2022 audited results to be better, showing a surplus that ends the streak of deficits and some rebound in reserves, but this is largely due to the temporary support provided by ARPA.

The Township used \$6 million in federal stimulus money to cover operating costs in 2022 and used another \$2.5 million to balance the 2023 budget. As noted in the 2022 credit downgrade, federal stimulus money is not a long-term solution to the Township's structural challenges dating back to at least 2018. Federal guidelines only allow ARPA funding to be used in this manner through the end of 2024 and, even without that deadline, the money would not last indefinitely.

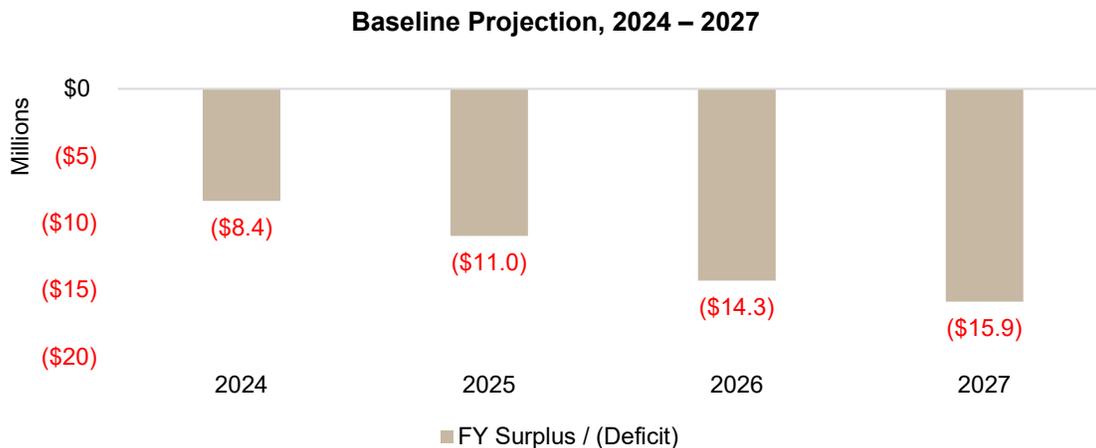
The Financial Condition Assessment in the next chapter describes the Township's recent financial performance in detail and projects financial results in a status quo scenario, assuming no changes in tax rates, headcount, or service offerings. The baseline projection is a diagnostic exercise to help the Township leaders and residents understand the answer to three key questions.

Are the Township's recurring revenues sufficient to cover recurring expenses?

No, and they have not been sufficient since at least 2018.

Are there any projected deficits in the baseline and, if so, how much are they expected to grow absent corrective action?

Upper Darby has had a structural deficit where recurring expenditures grow faster than recurring revenues. If the Township does not take corrective action, then deficits will return in 2024 or 2025, depending on whether the Township uses its ARPA funding one more time to cover a potential deficit next year.



² The highest grade possible in S&P's scale is AAA. Below that, AA ratings are high grade; A ratings (such as A or A+) are upper medium grade; and BBB ratings are medium grade.



What are the key revenue and expenditure trends that drive this financial performance?

Three trends explain much of Upper Darby's financial performance:

- Upper Darby relies heavily on its real estate tax revenues because, unlike most Pennsylvania municipalities, it does not levy an earned income tax (EIT). The Township is the only municipality of its size in the Commonwealth – and one of very few overall³ – that does not levy the EIT on residents or commuters.
- The costs of providing service naturally increase over time, but the revenues available to fund those services do not. This is true across Township government overall and within specific programs. For example, spending on the Township's residential refuse collection system grew by 8.3 percent from 2017 through 2021. Sanitation fee revenues only grow when the Township increases the rates.
- The Township benefited from modest growth in personnel costs during the review period because of flat spending on employee health insurance and temporary wage freezes during the collective bargaining and arbitration process⁴. The Township should expect more robust growth through 2027. The cost of other post-employment benefits (primarily retiree health insurance) is also already very high (\$7.2 million estimated in 2022) and will grow even more if not addressed.

For more analysis of recent historical performance and a full description of the baseline projection, please see the Financial Condition Assessment chapter beginning on page 11.

The current administration is aware of these challenges and has been taking steps to address them.

On the revenue side, Upper Darby started levying a real estate transfer tax in 2022, and the annual sanitation fee increased from \$235 to \$300 in 2023. It also contracted with a third-party to pursue delinquent business privilege taxes. For expenditures, the Township negotiated a two-month employee health insurance premium holiday in 2022 and 2023, allowing Upper Darby employees to receive 12 months of coverage for 10 months of taxpayer payments. The Township also recently replaced its antiquated financial management system with software that should provide leaders and residents with better information on government's financial performance.

These are good steps, and more is needed, quickly.

More than money: Financial management in support of a mission

While this Plan is primarily focused on improving Upper Darby Township government's financial performance, local government does not exist for solely financial reasons.

At the start of this engagement, we asked the Keffer Administration leadership to describe Township government's mission, and they provided the following⁵:

To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

³ According to the Commonwealth's Taxation Manual, about ninety-five percent of Pennsylvania's municipalities levied the EIT in 2013, along with hundreds of school districts.

⁴ At the time of analysis, the Township's last contract with the Fraternal Order of Police (its largest union) expired at the end of 2020, so there were no across-the-board wage increases for police officers in 2021 or 2022.

⁵ The Keffer Administration has shared this mission statement publicly and all staff interviewed during our process were familiar with it.



The first part of the mission statement acknowledges that Township government's primary job is **providing services**, primarily public safety coverage; residential refuse collection; street, park, and sewer maintenance; and code and parking enforcement. Those services accounted for two thirds of the Township's 2022 budget and most of its staff.

The mission statement does not specify which services Township government should provide or explain how to prioritize them. But it places higher value on those that create **welcoming neighborhoods, thriving business districts and vibrant public spaces**.

The mission's reference to **world-class** services is intentional since Upper Darby is a very diverse community. A higher percentage of Upper Darby residents speak a language other than English (26.5 percent) than Philadelphia residents (23.7 percent), and one person estimated there are close to 100 languages and dialects spoken at Upper Darby High School. This cultural diversity makes Upper Darby vibrant and differentiates the Township from the rest of Delaware County. It is evidence of Upper Darby's success in offering welcoming neighborhoods.

That diversity also creates unique challenges for Township government as a service provider. Serving people from multiple cultures requires more and different training for Township employees; different services to residents; and rethinking everything from police patrol to park schedules.

As a service provider, the Township government needs a workforce that is well-trained, customer-oriented, and reflective of Upper Darby's diversity. Those employees need effective technology, efficient processes, and well-managed relationships with contractors and vendors. The Township needs to be financially stable enough to compensate its employees now, fund future retiree benefits, and make sufficient investments in the infrastructure (vehicles, roads, facilities) that employees and residents use every day.

The most obvious obstacle to providing world class municipal services – and the one most frequently cited in our discussions – was lack of resources. That obstacle extends beyond recent budget deficits. The Township staff we interviewed frequently cited the need to invest in facilities that are over or close to 100 years old, replace vehicles with rising maintenance costs, update playgrounds with equipment long past its useful life, and resurface and pave more roads. Public safety leadership raised the prospect of increasing staff so there is more police and fire coverage available consistently throughout the week and across the community.

None of that is possible unless Township government first regains its financial footing. If the Township's revenues do not grow at least at the same pace as expenditures, the Township will not balance its budget. And if the Township cannot balance its operating budget and set aside funds for capital improvements, it will not have world class municipal services.

For more discussion of these issues, please see the Mission and Management Review chapter beginning on page 36.

Prioritizing Plan initiatives

To advance the mission statement and overcome these obstacles, this Plan provides initiatives grouped in five chapters:

- **Strengthening financial management** has initiatives related to budgeting, accounting, reporting, and financial planning.
- **Revenue opportunities** discusses Upper Darby's ability to use the EIT and other initiatives related to service fees and cost recovery.



- **Managing workforce costs** provides initiatives to guide the next rounds of collective bargaining.
- **Improving operations** has initiatives for investing in infrastructure (i.e. capital budgeting and planning) and frames the discussion whether Upper Darby should extend career firefighting coverage to the weekends, instead of relying mostly on volunteer firefighters on Saturday and Sundays⁶.
- **Economic and community development** has initiatives related to performance management, code enforcement, and business community engagement.

The Plan Appendix lists the initiatives in each chapter so the reader can review them by subject area. The rest of this Summary introduces the initiatives that are most important to getting Upper Darby back on firm financial footing over the next 18 months.

First four initiatives

In addition to diligent revenue collection and expenditure control for the rest of 2023, the most important step that Upper Darby’s leaders can take right now is developing a 2024 budget that closes the structural deficit.

No.	Initiative	Page No.
FM01	Set deficit reduction targets and monitor progress by updating the baseline projection	43
FM03	Budget on a position-by-position basis	46
RV01	Start levying an earned income tax (EIT)	51
CB01	Allocate the remaining federal stimulus funds toward capital projects	80

The projected deficits in the baseline projection (\$11.0 million - \$16.0 million after 2024) are very large relative to the reported cash reserves (\$1.5 million at the end of 2021). Even with the rebound in reserves expected in the 2022 audit, Upper Darby’s leaders need to act with urgency and specificity to close this deficit.

Mayor and Council should collaboratively set a target to reduce the **2025** projected deficit by a specific amount (\$X million or X percent of the total) through the 2024 budget process. While the Township will also need to balance its budget for 2024, focusing on the 2025 deficit will push the Township to prioritize actions with a recurring financial impact, and avoid leaning on temporary fixes like ARPA funding (initiative FM01).

Once the Township has mid-year 2023 or final audited 2022 figures, the Township should update the baseline projection in the next chapter to see if any revenues or expenditures are likely to finish higher or lower than budgeted. The baseline projection uses the 2023 budget as its starting point, so any variance relative to budget could carry through the baseline projection.

The Township should also use and publish a position-specific budget for 2024 (initiative FM03). That approach starts with the list of positions and the salary for each one in each department and then projects how they would change during 2024. The amount allocated in the budget for salaries is the sum of salaries

⁶ In 2020, DCED funded a study of the Upper Darby Fire Department that identified several problems with the current staffing model. That study recommended that the Township consider expanding full-time firefighter coverage to the weekends, so this Plan addresses the financial implications for that expansion.



for the individual positions in that department, plus the assumed changes⁷. This is more work than making incremental adjustments to the department’s 2023 salary allocation, but it is also more accurate and more transparent.

Beyond these two procedural improvements, Upper Darby’s elected leaders should address two specific issues during the 2024 budget process:

- Potential use of a resident and commuter earned income tax (RV01)
- Designating the remaining federal stimulus funds for capital projects (CB01)

We expect the EIT initiative to generate a lot of conversation, and it would have the largest impact on the Township’s financial performance, by a large margin. A new resident EIT would increase income taxes for some residents, like those who work in Upper Darby. For other residents, it would be a tax **shift**, changing where they pay income taxes without increasing the amount.

The 2021 Phase I STMP assessment projected that levying a 1.0 percent EIT on residents and non-residents would generate at least \$9.4 million per year, and possibly as much as \$18.9 million, depending on whether the Upper Darby School District claims half of the resident EIT revenues⁸. While those projections could be updated using more recent data, that estimate gives a sense of magnitude for what this one initiative is potentially worth.

It is difficult to envision a path to financial sustainability that does not include the EIT. Even if Upper Darby leaned on temporary federal stimulus funding to balance its budget one more time in 2024 – which we recommend against in initiative CB01 – the Township currently stands less than 18 months away from a budget with a projected \$11 million deficit. Whatever deficit closing actions the Township takes this fall should keep the 2025 deficit firmly in view.

Year 1 priorities: Focus on fundamentals

No.	Initiative	Page No.
FM02	Rebuild reserves and adopt a fund balance policy	44
FM04	Upgrade financial systems and improve data management practices	47
FM05	Hire a full-time, in-house Finance Director	48
CB02	Conduct asset condition assessment	81
CB03	Develop a capital improvement plan document and process	81

After the 2024 budget is adopted, Township leaders will have to manage spending within those allocations.

To do so, the Township should issue quarterly financial reports that show revenue and expenditures relative to budget targets and prior years. Quarterly reports are a low-cost, high-impact way to drive discussions about what is working as planned and what needs adjustment. The Township should also produce monthly reports showing the number of filled positions relative to prior years (if available) and the budget allocation.

⁷ Some communities go even farther and show the individual employees funded in the budget, but this is not necessary. Budgets allocate money to fund positions, not the specific individuals who happen to fill the position.

⁸ The Revenue Chapter explains this dynamic in more detail.



In prior years, Upper Darby's financial system could not produce these reports. At the start of this engagement, we retrieved green-bar sheet print outs and then entered the data into Excel so we could analyze Upper Darby's performance. The new financial management software should be much better, though it is important that the Township train employees, bring business processes onto the new platform, and emphasize the importance of timely, accurate data management (see initiative FM04).

Plans are good, but *planning* is better, and the Township will need updated information to plan well.

In early 2024, the Township should update the multi-year financial projection in the next chapter. The Township should work through the initiative FM01 at least twice a year, adjusting the baseline projection to incorporate changing circumstances and the progress achieved through gap-closing measures. The following table provides a sample schedule for integrating multi-year financial planning with the budget and audit process.

Sample Multi-Year Financial Planning Calendar

<p>April – May: Using the current year budget as the starting point, the Finance Director prepares a five-year projection of the City's revenues and expenditures in a baseline <i>status quo</i> scenario that assumes no changes in tax rates, service levels, headcount, or other variables⁹. The baseline revenue projection is the first look at how much the Township will have available to spend in the next year's budget. The Chief Administrative Officer (CAO) and Finance Director use the multi-year projection to lead discussions with the elected officials, department leaders, employee bargaining units, the business community, and other stakeholders on their priorities and strategies to close any deficit.</p>
<p>June: The elected officials and CAO set strategic and operational priorities for the upcoming fiscal year. Finance prepares budget instructions and worksheets for distribution to the department directors, including any direction on expenditure reduction or investment priorities from the Mayor and CAO. The worksheets would include a list of each position with its salary in each department.</p>
<p>July: Department directors prepare budgets using the instructions and worksheets provided by Finance, including any enhancement requests (i.e. additional staff and new or expanded programs) or reduction recommendations. The department directors submit their draft budgets to the CAO and Finance Director by the end of the month.</p>
<p>August: The Finance Director compiles the expenditure budget, including a separate listing of enhancement requests with their associated costs. The CAO and Finance Director meet with the department directors regarding their budget requests and prepare an expenditure budget for the Mayor's review at the end of the month. The CAO and Finance Director review the revenues and expenditures to quantify any deficit and identify potential gap closing measures, if needed. Finance incorporates any relevant updates from this process into a new set of multi-year expenditure projections, ideally including the audited figures from the prior year.</p>
<p>September: The CAO or Finance Director convenes a Revenue Estimating Committee to discuss the projections for major revenues early in the month. The Township uses this process to reach a consensus on the amount available to be spent in the next fiscal year, absent tax increases. The Finance Director incorporates the revenue estimate for the next fiscal year into a new set of multi-year revenue projections.</p>

⁹ The baseline projection in the next chapter can be updated and extended to keep the five-year horizon.
Township of Upper Darby
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October/November: The multi-year financial projections are incorporated into the next year’s budget document in a “one-page summary” that gives the Board and residents a view of the projected trends across major revenue categories (e.g. real estate tax, earned income tax, licenses and permits) and expenditure categories (e.g. salaries, health insurance, debt). Budget introduction, consideration and approval follows the Township’s traditional schedule.

In the first full year of the next Administration, the Township should set a formal policy and targets for rebuilding its reserves (initiative FM02). That policy, coupled with a 2024 budget that does not rely on temporary fixes for structural problems, should help Upper Darby restore its credit rating.

The Township should also start to develop a capital improvement plan and a capital budget that organizes, prioritizes, and starts to fund the many infrastructure needs identified by staff (initiative CB03). That employee insight should be supplemented by an asset condition assessment performed by external subject matter experts (initiative CB01).

Our last recommendation for Year 1 relates to the Finance Department’s management.

Upper Darby’s Administrative Code establishes a Finance Department that reports to the CAO:

The Department of Finance shall be responsible for the administration of activities pertaining to the expenditure, accounting, investment, custody and control of municipal funds and assets under the direction of the Chief Administrative Officer.

The Code also states the Department “shall be headed by a Director, who shall be responsible to the Mayor and the Chief Administrative Officer for the performance of the function of the Department.”¹⁰

By population, Upper Darby is one of the largest municipalities in Pennsylvania. The organization spent \$91.3 million across all funds in 2020. The Township needs to improve its financial performance – reverse its trends of operating deficits, rebuild its reserves, and identify funding for capital projects like repairing its facilities and replacing vehicles.

The Township should hire a full-time employee to serve as its Finance Director in support of the CAO. The Finance Director should be responsible for the full range of financial management activities, meaning the position is distinct from other department managers who oversee parts of the process (e.g., Controller who oversees accounting).

Expenditure control and collective bargaining

No.	Initiative	Page No.
WF01	Moderate across-the-board wage increases	65
WF02	Manage the total cost in all forms of cash compensation	66
WF03	Restructure sick leave payouts	68
WF04	Implement plan design changes for active employees	70
WF05	Change employee cost-sharing structure	72

¹⁰ Administrative Code, Article VII, Section 7-15.
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To provide “world class municipal services,” the organization needs employees to police the streets, fight fires, maintain public spaces, enforce property maintenance standards, and manage public money. Therefore, Upper Darby Township spends most of its budget on employees. In 2022, the Township budgeted \$63.0 million (or about 80 percent of the General Fund budget) for personnel expenditures, including salaries and other types of cash compensation, health benefits for active and retired employees, and the Township’s share of contributions to the employee pension plans.

After very modest growth in personnel costs from 2017 through 2021, the Township should expect costs to grow faster, assuming no changes in headcount.

The Township’s employee health insurance broker indicated that the two-month premium “holiday” will likely end in 2024, and there is no guarantee that Upper Darby will continue to enjoy flat growth in year-over-year premium costs. The Township should expect to increase employees’ base wages, which translates to increases in other types of compensation indexed to wages, like holiday pay. The baseline projection accounts for these factors and shows personnel costs growing by 3.9 percent from 2024 through 2027.

As critical as the workforce is to Upper Darby Township’s mission, there are practical limits to the government’s ability to cover rising personnel costs. Upper Darby is extremely dependent on real estate tax revenue to pay for most of its daily operations, and that revenue is flat absent tax increases. A few services, like trash collection, have their own designated revenue, but they are also often flat absent rate increases.

Upper Darby’s employees need reliable, effective, modern tools to support and advance their work, including vehicles, facilities, and information technology. A public works department with an unreliable fleet of trash trucks, a police department with inadequate space to house its operations, and a fire department with old vehicles will struggle to provide services, no matter how numerous and well-compensated its employees are.

The Township needs to manage the personnel costs that account for the majority of the budget, and the Plan initiatives give Township leaders some initial direction how to do so in upcoming rounds of collective bargaining. The Township’s spending on other post-employment benefits is a particularly ripe target for reducing costs.

Looking beyond the next 18 months

No.	Initiative	Page No.
RV02	Regularly adjust service fees	57
RV03	Recreation revenue opportunities	61
CB04	Continue shifting personnel costs out of the Liquid Fuels fund to increase funding for road paving	83
FR01	Consider the challenges and opportunities related to fire staffing	88
ED01	Create data dashboard for key economic growth metrics	96
ED02	Conduct proactive code enforcement	97

No.	Initiative	Page No.
ED03	Evaluate LERTA program	98
ED04	Continue engaging the Township's business community	100

This Plan projects the Township's financial performance for the next five years, and there are other initiatives that the Township should pursue beyond the next 18 months.

Some of these initiatives can be advanced sooner if there is capacity to do so. Others would require the Township to first stabilize its finances. Some of these initiatives can be advanced sooner if there is capacity to do so. Others would require the Township to first stabilize its finances. For example, if the Township wants to expand its full-time fire protection to the weekend – or add more police officers or build more playgrounds or enhance trash collection – it first needs to address the structural deficit.

But the conclusion that Upper Darby cannot afford to increase its spending *right now* does not need to be the final word on this matter. A multi-year financial plan intentionally looks at resources and needs over several years, so the Township can position itself to make this investment if it is a priority.

For the current administration and the next one, that should be the focus for the next 18 months – putting Township government back on firm financial footing with a restored credit rating, replenished reserves, and a structurally balanced budget. Then, Township government will be in a better position to help modernize, reinvest in, and revitalize Upper Darby.



Financial Condition Assessment

This first chapter of Upper Darby’s multi-year financial plan evaluates the Township’s recent financial performance and then provides a baseline projection of future performance over the next five years, absent corrective action. The baseline projection is a diagnostic exercise to help Township leaders and residents understand the answers to three key questions:

- Are the Township’s recurring revenues sufficient to cover recurring expenditures?
- Are there any projected deficits in the baseline and, if so, how much are they expected to grow absent corrective action?
- What are the key revenue and expenditure trends that drive the Township’s financial performance?

Most of this chapter focuses on the Township’s General and Sinking Funds. The **General Fund** is the primary means for funding police, fire, and most daily services other than those associated utilities or road maintenance. The Township uses the **Sinking Fund** to receive a portion of the real estate tax revenue and then make annual payments for its debt service

At the end of the chapter, we provide observations on the **Highway Fund** that the Township has historically used to cover salaries and wages for public works employees. We also evaluated the Township’s separate funds for its sewer system and capital projects and provide relevant recommendations on them later in the plan.

Recent historical performance

The following table shows the combined revenues and expenditures for the Township’s General and Sinking Funds from 2017 through 2021.¹ According to these results, the Township had a small deficit in 2017 (\$0.3 million) that grew above \$2 million in 2018 and then above \$4 million in 2021. The Township used a \$5 million Tax Revenue Anticipation Note (TRAN) to meet its cash flow needs in 2020 and 2021, and then repaid the note before the end of the year. The TRAN proceeds and repayment are excluded from this table.

Combined Revenues and Expenditures, General and Sinking Funds (\$ Millions)

	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	CAGR ²
Real estate tax	\$54.4	\$55.4	\$55.3	\$56.9	\$55.8	0.7%
Other taxes	\$3.0	\$3.0	\$3.1	\$2.9	\$2.9	-0.9%
Sanitation Fees	\$5.1	\$5.2	\$5.8	\$6.0	\$6.4	5.9%
Licenses, Permits, and Fees	\$5.9	\$5.4	\$5.9	\$4.5	\$5.3	-2.8%
Other Revenues	\$5.9	\$5.5	\$7.1	\$5.0	\$8.2	8.8%
Total revenues	\$74.3	\$74.5	\$77.1	\$75.3	\$78.7	1.4%

¹ At the time of analysis, the Township was only able to provide hard copies of the preliminary (i.e., unaudited) results for these years. Township management noted that some adjustments may have been made to these figures, either by the Township or during the external audit process. While we note that possibility, the figures presented here will still give the reader a sense for recent financial performance in these two funds.

² CAGR is compound annual growth rate.



	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	CAGR ²
Salaries and wages	\$28.3	\$29.1	\$30.3	\$31.1	\$30.3	1.7%
Other cash compensation	\$4.9	\$5.3	\$5.1	\$5.0	\$4.7	-0.8%
Health insurance	\$15.8	\$15.8	\$15.9	\$16.3	\$16.2	0.6%
Pension contributions	\$7.3	\$8.4	\$8.2	\$8.6	\$9.1	5.7%
Other personnel	\$4.2	\$4.9	\$3.5	\$3.3	\$4.2	0.1%
Operating expenses	\$8.9	\$8.1	\$9.6	\$9.6	\$10.9	5.3%
Debt service	\$2.6	\$2.5	\$2.6	\$2.7	\$2.2	-4.5%
Other expenditures	\$2.7	\$3.3	\$4.1	\$3.7	\$5.5	19.8%
Total expenditures	\$74.6	\$77.3	\$79.1	\$80.3	\$83.0	2.7%
Surplus / (Deficit)	(\$0.3)	(\$2.8)	(\$2.1)	(\$4.9)	(\$4.4)	

The Township publishes annual audits that provide additional information on its financial performance. The table below shows the Township's reported fund balance, its cash balance, and other measures of Upper Darby's financial reserves for the last four audits.

Reserve Measures, 2017 – 2021 Audited results

	2017	2018	2019	2020	2021
Cash and cash equivalents	\$8.0	\$9.3	\$7.9	\$5.6	\$1.5
Unassigned fund balance	\$4.9	\$4.5	\$6.0	\$2.2	\$0.1
Total Fund balance	\$8.2	\$7.0	\$6.1	\$2.3	\$0.2
Expenditures	\$72.4	\$76.4	\$77.9	\$76.8	\$81.0
Unassigned as % of expenditures	6.7%	5.9%	7.7%	2.8%	0.2%
Net change in fund balance	\$0.4	(\$1.3)	(\$0.9)	(\$3.8)	(\$2.1)

These audited results show deficits in the past four years. The Township's expenditures only grew by 1.2 percent from 2019 to 2020, but several revenues fell during the first year in the pandemic and the Township used more than half of its unassigned fund balance to cover the shortfall.

The Township has been drawing down its reserves each year and at the end of 2021, they were nearly gone. The Township's unassigned fund balance was just \$0.1 million. When the 2022 year-end results are released, they should be better since the Township used \$6 million in ARPA revenue replacement to close its deficit last year. But even if the entire \$6 million was added to the Township's fund balance, Upper Darby will be back where it was before the pandemic with reserves about half of what they should be.

The Township's "low general fund reserves" were also cited by the credit rating agency S&P Global ratings when Upper Darby's credit rating slipped from A to A- in July 2022. We provide more thoughts on the Township's reserve levels later in the Plan.³

³ Please see initiative FM02 in the Financial Management chapter.



Baseline Five-Year Projection

The baseline presented in this chapter projects the Township's financial performance in the General and Sinking Funds before any corrective action. There are two very important contextual points to understand the baseline projection:

- **The baseline presents a status quo scenario.**

The projection assumes no significant changes in the Township's policies or operational structure from what was in place entering 2023. For revenues, this includes the assumption that there will be no further increases in the real estate tax rates or changes in service charges. Unless explicitly noted in the sections below, revenue growth comes from expected growth in the underlying tax or user fee base.

For the Township's expenditures, the baseline projections assume no changes in the levels or types of service provided by departments. The projections do not assume changes in headcount or new hires, other than those needed to fill vacant positions. Salary increases are projected based on the pattern of negotiated wage increases where known. For years and employee groups where the Township does not have a labor agreement in place, the baseline assumes annual wage increases continue at recent levels. The baseline also assumes no additional debt issuance and no pay-as-you-go funding for capital projects.

These key assumptions will be discussed in further detail later in the chapter.

- **The baseline projection is not a prescription for Upper Darby's financial policies, nor is it a prediction of future annual results.**

The baseline projection is a diagnostic exercise that highlights the key trends that drive financial performance, identifies any structural deficit where recurring revenues do not cover recurring expenditures, and quantifies how that deficit would grow without corrective action.

The assumptions in the baseline projection are not recommendations for what the Township should do for the next five years. The baseline projection shows deficits after 2023, so the Township will have to do something different than what is assumed.

The baseline is also not a prediction of future results because it assumes the Township will not take any corrective measures to address the projected deficits. Again, Township leaders will have to take some corrective action because Upper Darby is statutorily required to pass a balanced budget. Rather than presume what those corrective actions will or should be, the baseline analysis will help Upper Darby's leaders and residents understand what types of corrective actions will be most effective, how much action they will need to take, and how quickly they will need to take it.

Last year, we produced an initial baseline that started with the 2022 adopted budget and then projected through 2027. We presented this baseline projection to the Mayor and her team to inform their discussions with the Board on the 2023 budget that was developed in the final months of 2022. After the 2023 budget was adopted, we revised the baseline to start with that set of figures and then project through 2027.

At this time, the only set of 2022 figures available are last year's adopted budget, which we will reference as needed, but will otherwise focus on reported historical performance (2017 – 2021) and projected performance (2023 – 2027).



Revenues

Upper Darby Township depends heavily on real estate tax revenue to fund its daily operations and cover its scheduled debt payments. This tax accounted for 67.5 percent of total budgeted General and Sinking fund revenues in 2023.

While it is not unusual for a Pennsylvania municipality to receive a large portion of its revenue from the real estate tax, Upper Darby is much more reliant on this source of revenue than other large municipalities because the Township does not currently levy a wage or earned income tax (EIT) on its residents or commuters who work in Upper Darby.

Another 4.7 percent of the Township's General Fund revenue comes from other smaller taxes – business privilege and mercantile taxes levied on gross receipts from businesses, local service taxes on most people who work in Upper Darby, and the realty transfer tax that was first levied in 2022.

The largest source of non-tax revenue is the Township's sanitation fees for solid waste and recycling services, which account for 10 percent of the total revenue budget. Other licenses, permits, and fees account for 5.8 percent of the budget.

The remaining 12.1 percent of revenues includes the Township's state pension aid, grants and reimbursements including funding from federal Housing and Urban Development (HUD) grants, and interfund transfers. In the 2023 budget, this category also includes \$2.5 million in funding from the American Rescue Plan Act of 2021 (ARPA) and \$1.3 million of prior year fund balance from the sinking (or debt service) fund to close the budget deficit.

Real estate taxes

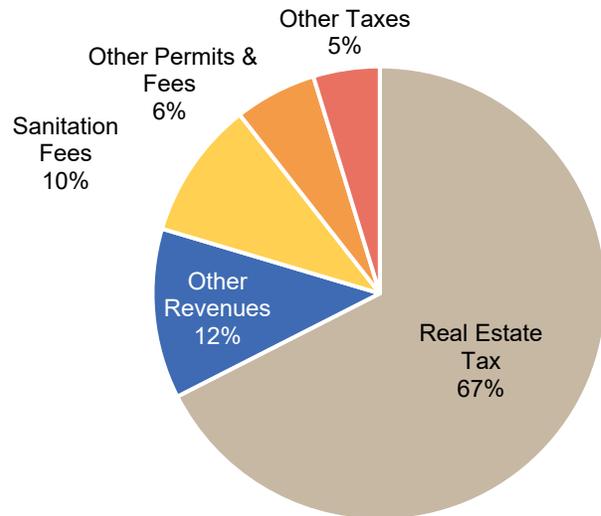
The real estate tax is the Township's largest revenue source by a wide margin, consistently generating more than two thirds of total General and Sinking Fund combined revenue. Real estate tax revenue is a function of three elements: the assessed value of taxable real estate in the Township (tax base), the Township's tax millage rate, and the collection rate.

Taxable assessed values in the Township were relatively flat from 2015 to 2020, shrinking at an average annual rate of 0.2 percent. After the countywide reassessment in 2021, Upper Darby's taxable assessed value increased 62.8 percent from \$2.6 billion to \$4.3 billion.

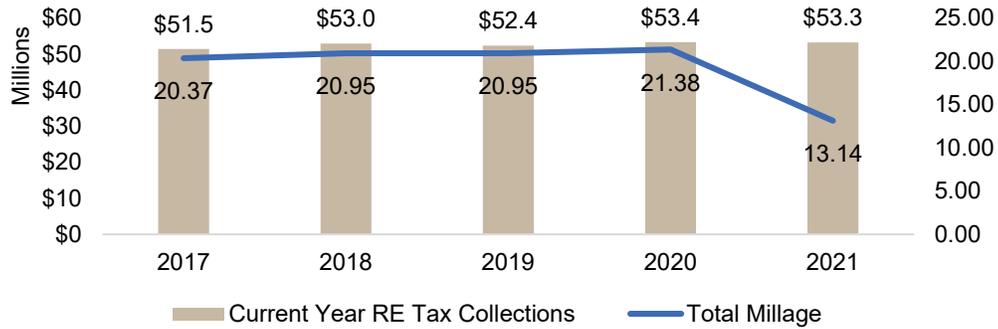
To offset that increase and keep the assessment process itself revenue neutral, the Township reduced its total tax rate from 21.38 to 13.14 mills. Before reassessment, the Township increased the total tax rate by 2.8 percent in 2018 and 2.1 percent in 2020. In 2023, the Township increased its total real estate millage from 13.14 to 13.49 mills, or 2.7 percent.

The Township collects current year real estate taxes on its own and then uses an outside collector for prior year (or delinquent) real estate taxes. The Township's current year collection rate has been stable at 94 percent since 2017, and that is the assumed collection rate again in the 2023 budget.

2023 General and Sinking Fund Revenue Budget



Total Current Year Real Estate Tax Collections, 2017 – 2021



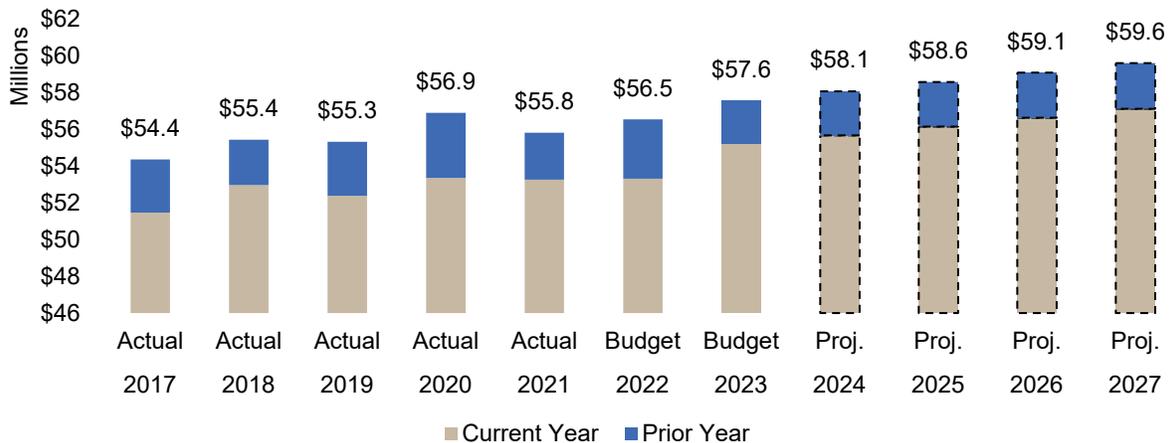
	2017	2018	2019	2020	2021
Taxable Assessed Value	\$2,686,343,595	\$2,681,944,389	\$2,702,176,667	\$2,644,946,050	\$4,305,086,873
Total Millage	20.37	20.95	20.95	21.38	13.14
Collection Rate	94.1%	94.3%	92.5%	94.3%	94.1%
Current Year Collections	\$51,465,661	\$52,958,587	\$52,382,774	\$53,352,819	\$53,255,369
% Change	N/A	2.9%	-1.1%	1.9%	-0.2%

Based on this historical performance, the baseline assumes the following for current year real estate taxes:

- The total assessed value of taxable property grows by 0.9 percent per year, with no reassessment occurring during the projection period
- The current year collection rate remains 94.2 percent
- There are no further real estate tax increases

Under the process set in Pennsylvania law, delinquent real estate revenue is collected through a process that can last up to three years. So, when tax rates increase as they did in 2023, there is a delayed impact on prior year real estate tax revenues. The baseline projection accounts for these factors and shows delinquent tax revenues rising from \$2.4 million budgeted in 2023 to \$2.5 million in 2027, or an average annual growth rate of 1.2 percent.

Total Current and Prior Year Real Estate Tax Revenues, 2017 – 2027



Overall, total real estate tax revenues are projected to grow from \$57.6 million budgeted in 2023 to \$59.6 million projected in 2027, or 0.9 percent per year following the growth in taxable assessed values.

We also assume that the Township will reallocate its total tax rate between the General and Sinking Funds each year so the Sinking Fund has sufficient funding to cover Upper Darby’s scheduled debt payments. For 2023, the Township plans to use accumulated reserves in the Sinking Fund to cover some of its debt payment. Since those reserves are not recurring revenue, the Township would have to shift \$1.3 million to the Sinking Fund to cover its debt in 2024. As a result, the Township will have less real estate tax revenue to fund operations next year, absent any debt refunding transactions.

Other Taxes

Business Privilege/Mercantile Taxes

The Township levies taxes on businesses’ gross receipts through the business privilege tax (BPT) and mercantile taxes. The mercantile tax is levied on gross receipts generated by wholesale and retail businesses while the BPT is levied on most other businesses⁴.

Combined, these taxes have historically generated about \$2.3 million annually. Gross receipt tax revenue dropped by 3.8 percent in 2020 at the start of the pandemic and another 3.4 percent in 2021. The 2023 budget assumes that this revenue will reach \$2.6 million, which would be 18.3 percent higher than the Township received in 2021 and higher than any amount in recent years. Subject to further information (i.e., actual receipts for 2022⁵), the baseline projection assumes that this revenue returns to a historical average of \$2.3 million in 2024 and remains flat at that amount.

Gross Receipts Taxes, 2017 – 2023

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2023 Budget
Total Revenue	2,262,620	2,353,309	2,335,430	2,247,782	2,171,562	2,188,924	2,570,000
% Change	N/A	4.0%	-0.8%	-3.8%	-3.4%	0.8%	17.4%

Local Services Tax

The Local Services Tax (LST) is a flat \$52 annual tax on anyone who works in Upper Darby and has an income above \$12,000. LST revenues have historically hovered around \$700,000 and the 2023 budget assumes a similar amount. From 2015 to 2022, total employment in the Township grew by 0.3 percent per year and the baseline projection applies that very modest growth to the 2023 budget starting point.

Real Estate Transfer Tax

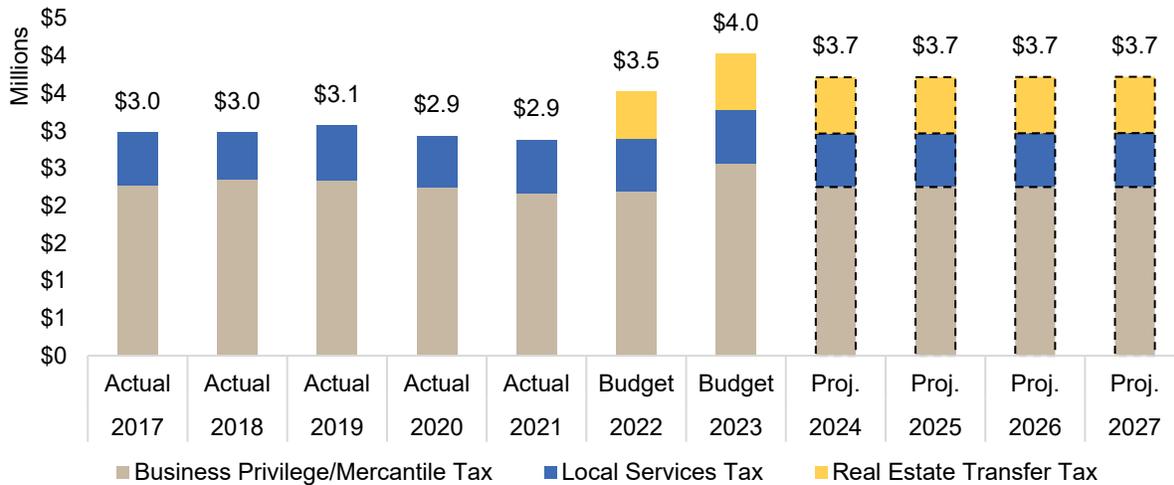
In 2022, Upper Darby started levying a 0.5 percent real estate transfer tax on any transaction involving the sale or transfers of real estate. The 2022 budget assumed that the Township would collect \$625,000 from the tax in its first year and, according to the figures presented during the 2023 budget process, the Township collected \$2.3 million through October 2022. The 2023 budget has a much more modest increase, taking the target to \$750,000. The baseline maintains that amount in the absence of historical information on this new revenue, but notes this is an area with potential upside.

⁴ Manufacturing businesses are eligible for exclusion.

⁵ The Township reported \$2.3 million in revenues from these sources through October 2022. The deadline for paying these taxes is April, so it is likely the Township had already received most of its revenue by this date.



Other Tax Revenue, 2017 – 2028



Revenue from other taxes was generally flat from 2017 to 2019 and then dropped when the pandemic began in 2020. The Township started levying a real estate transfer tax in 2022, which has a larger target for 2023. The 2023 budget assumes a large increase in business gross receipts tax revenues, but we return this revenue to historical levels for 2024. The baseline projects \$3.7 million in other tax revenue per year from 2024 through 2027. As noted earlier, the real estate transfer tax could surpass the higher target set in the 2023 budget and continue to grow, but that is not assumed at this time in the absence of historical data.

Licenses, Permits, and Fees

Sanitation Fees

The Township operates a solid waste program and charges residential property owners a fee to collect trash and recycling. The fee for 2023 is \$300 per residential unit, plus a \$10 fee to collect individual bulk trash items. The following table shows the per unit rates, the number of accounts, and the revenue collected for 2017 through 2021, plus the 2023 budget for the solid waste collection fee.

Sanitation Fee Revenues⁶

Year	Units billed	Gross Billing	Bill per Unit	Current Year Revenue	CY Collection	Prior Year Revenue	Total collection
2017	26,902	\$5,111,380	\$190	\$3,990,285	78%	\$1,125,998	100%
2018	26,903	\$5,111,570	\$190	\$4,023,664	79%	\$1,146,424	101%
2019	26,908	\$5,112,520	\$190	\$4,053,862	79%	\$1,724,012	113%
2020	26,903	\$6,326,905	\$235	\$4,945,041	78%	\$1,047,448	95%
2021	26,903	\$6,322,205	\$235	\$5,189,516	82%	\$1,206,182	101%
2023	26,903 (estimate)	\$8,070,900	\$300	\$6,492,449	80%	\$1,875,000	104%

Solid waste fee revenues account for 9.8 percent of the total budgeted revenue in 2023. The Township has enacted periodic increases to help cover the rising cost of service. From 2017 through 2021, the direct costs charged to this program (which do not include employee health and pension benefits or vehicle

⁶ Data on the units billed and gross billing for 2017 through 2021 comes from the Upper Darby Township 2022 Proposed Budget presentation. Current year revenue in the table does not include bulk pickup revenue or other fees such as for recycling containers.



maintenance costs) grew by 8.5 percent per year while the per unit fees rose by 5.5 percent. The Township increased its fee again in 2023 to \$300.

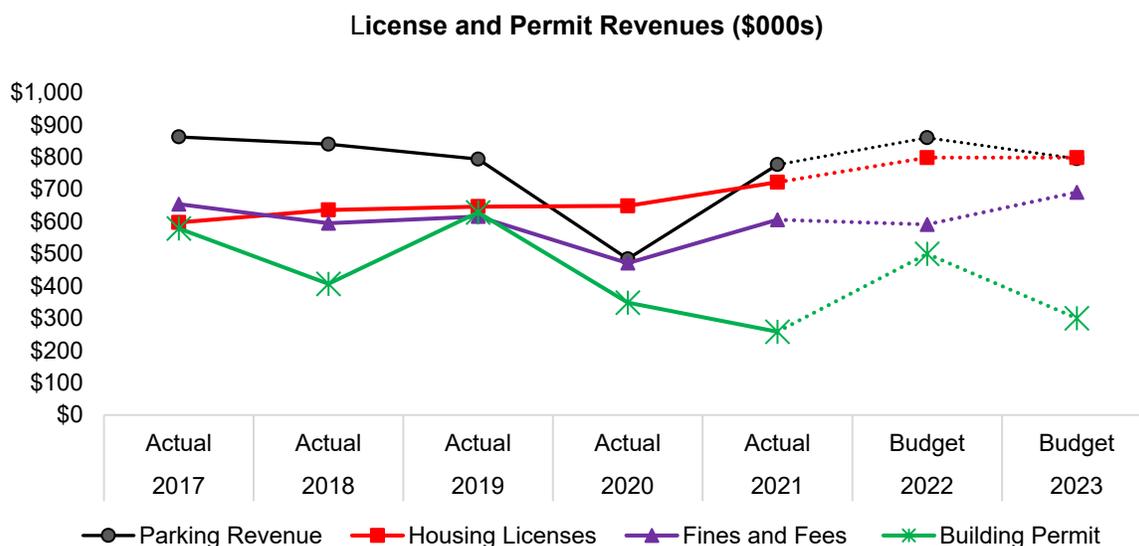
The baseline does not assume any changes in the fee levels. Since the number of units billed is flat, as is the Township’s population growth, revenues stay at 2023 levels through 2027. Absent any changes to the program operations, spending on solid waste collection increases each year in the projection, so the Township would have to increase fees to avoid a growing deficit in this program.

Cable Television Franchise Fees

Cable television franchise fees are annual fees that the Township charges to private cable television providers for use of public property, generating about \$1.3 million annually for the Township. Like many other municipalities, this revenue in Upper Darby has declined in recent years from \$1.5 million in 2017 to \$1.2 million in 2021. The 2022 budget target matched 2021 results, but the 2023 budget target is 17.8 percent lower at \$1.0 million. The baseline uses that lower figure as the starting point and holds it level, pending any further information explaining the expected decline in 2023.

Other Licenses, Permits and Fees

The Township collects revenues from various departmental licenses, permits, and fees from sources such as parking meters and municipal lots, rental housing licenses, and building permit activity. Except for rental housing licenses, the trend for most of the large items in this category was negative before the pandemic, and then dropped even further in 2020. Revenues from parking and fines rebounded in 2021 while building permit revenues continue to fall.



The baseline projection assumes the following:

- Absent any changes to parking rates, parking availability, or operations, **parking revenues** will remain level at \$0.8 million budgeted in 2023, which was close to 2021 actuals and close to the amount collected before the pandemic.
- While revenue from **housing licenses** historically grew at an average annual pace of 4.9 percent from 2017 to 2021, census data indicates that this was due to declining vacancy of rental properties rather than an influx of population or housing units. The baseline projects that this revenue will grow

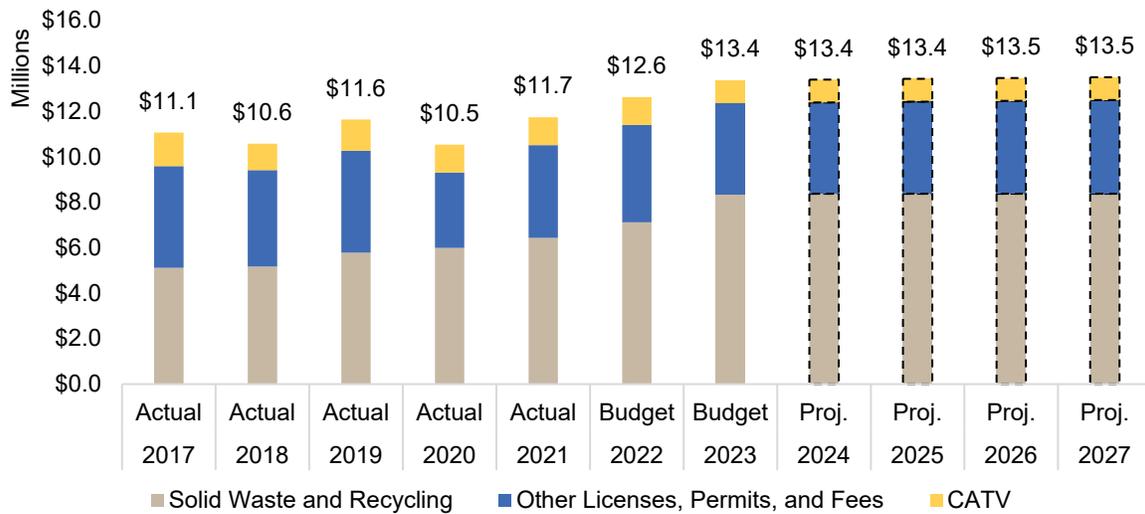


at 2.0 percent over the next several years, keeping pace with the growth of renter-occupied housing units.⁷

- Revenues from **finances and fees** are held level at the \$0.7 million 2023 budget target, which would already be the highest amount the Township has received in recent years and 14.1 percent higher than in 2021.
- Revenues from building permits are held constant at \$300,000, though we return to this item later in the plan.

In aggregate, license, permit, and fee revenue grew at an average annual rate of 1.5 percent from 2017 to 2021, mostly driven by solid waste fee increases. In 2023, total revenue from licenses, permits, and fees are budgeted to grow to \$13.4 million, again due to a refuse fee increase. Because a status quo scenario does not include any fee or rate increases or initiatives to grow the volume or output of services, the baseline projection assumes a modest growth rate of 0.3 percent from 2024 to 2027.

Licenses, Permits, and Fees, 2017 – 2027



Other Revenues

State Pension Aid

Like other municipalities in the Commonwealth, Upper Darby Township receives aid from the Commonwealth of Pennsylvania to fund employee pension plans. Each year, the Commonwealth calculates the “unit value” amount that a municipality can receive per eligible employee and then distributes money to that municipality based on its headcount (each police officer and firefighter counts as two units). The unit value depends on how much tax revenue the Commonwealth has collected from its 2 percent tax on casualty and fire insurance policies sold in Pennsylvania by out-of-state insurance companies.

Upper Darby’s allocation grew from \$2.6 million in 2017 to \$2.9 million in 2020, dipped to \$2.6 million in 2021, and then rebounded to over \$2.9 million last year when the state unit value grew by 8.0 percent. The 2023 budget expects \$2.9 million again this year, and then the baseline assumes the aid amount will grow by 3.8 percent based on historical growth in the unit value.

⁷ Census Bureau, American Community Survey 5-year estimates 2017 – 2021. Table DP05: Selected Housing Characteristics.



Grants and Reimbursements

The majority of the Township's reoccurring grant revenue comes from a Housing and Urban Development (HUD) entitlement grant, which generates an average of \$1.5 million annually and can only be used for Community Development Block Grant (CDBG) eligible costs, such as real estate acquisitions and demolitions to address blight. The baseline projection assumes that this recurring grant continues at the 2023 budget amount of \$1.5 million. Other grants and reimbursements have historically included a state recycling grant, reimbursement from while the Delaware County Office of Services for the Aging (COSA), and smaller miscellaneous items.

In March 2021, President Joseph Biden signed the \$1.9 trillion American Rescue Plan Act (ARPA) into law to provide federal funding for communities' response to and recovery from the novel coronavirus COVID-19. Upper Darby Township received \$41.8 million through the State and Local Fiscal Recovery Funds (SLFRF) and can use the funds for uses that fall into the following categories:

- Replace lost public sector revenue
- Respond to the public health and economic impacts of the pandemic
- Provide premium pay for essential workers
- Investments in water, sewer, and broadband infrastructure

In 2022, the Township used \$6 million under the Act's revenue replacement provision to fund General Fund expenditures. The 2023 budget allocates another \$2.5 million from the ARPA funds for police-related expenditures.

The Township could use this same provision one more time in 2024 to support General fund operations before the federal program expires.⁸ The amount available to the Township depends on what it has allocated to date and the revenue replacement calculation set by federal guidelines. The baseline does not assume any ARPA allocation to fund operations in 2024, but we note the potential for doing so one more time.

Interfund Transfers

The Township periodically transfers surplus funds from the Sewer Fund to the General Fund⁹. The 2022 budget included a \$1.1 million transfer, and the Township plans to transfer another \$629,000 in 2023. While the Township has made these transfers in the past, Township officials report they are working to better understand and fund the full cost of maintaining the sewer system. If the Township determines that the Sewer Fund is not covering all its necessary expenditures, then these surplus transfers could be reduced or eliminated. Therefore, this transfer is assumed to be zero in the projection period as the Township does not anticipate that they will have a surplus every year, or that it will continue making these transfers indefinitely.

Other Revenues

Other revenues include those from liquid fuels and public utility realty taxes, sale of assets, and other miscellaneous items. The Township issued Tax Revenue Anticipation Notes (TRANS) of about \$5 million in 2020 and 2021. TRANS are short term financings that municipalities can use to generate cash early in the year and then pay back with interest once tax revenues are collected. Because TRANS are received and repaid in the same year, they are not consistently recorded in the budget as revenues or expenditures, and they are not included in the baseline projection.

There is one other noteworthy resource that the Township will use to fund expenditures this year. The 2023 budget anticipates the Township will use \$1.3 million in prior year fund balance in the Sinking Fund to help

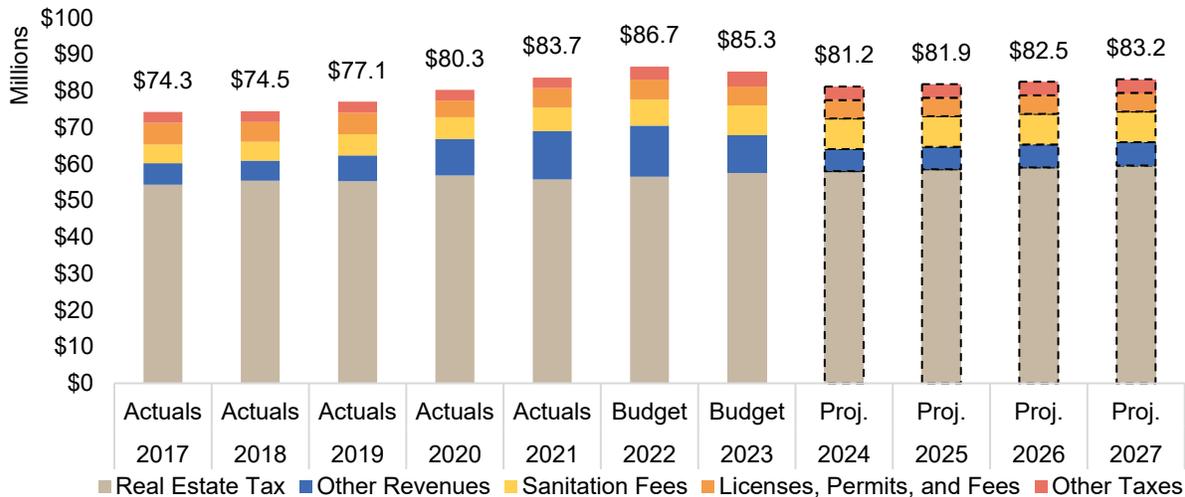
⁸ Municipalities must obligate their SLFRF allocation by December 31, 2024 and spend it by December 31, 2026. At this time, the revenue replacement provision cannot be used after 2024.

⁹ This transfer is separate from indirect cost reimbursements that the Sewer Fund pays the General Fund.

make this year's scheduled debt payments. Next year the Township would have to resume paying its debt from current year revenues, which means the Sinking Fund will take a larger share of total real estate tax revenues and there will be less available to fund operations.

While the 2023 budget shows \$85.3 million available to fund operations and debt, that includes \$2.5 million in ARPA funding will not be available beyond 2024 and it includes \$1.3 million in one-time use of sinking fund reserves that will not be available beyond 2023. Dropping those non-recurring items out of the baseline yields the pattern shown below.

Total General Fund Revenues, 2017 – 2027



Total revenues across these funds grew from \$74.3 million in 2017 to \$80.3 million in 2020 (or 2.6 percent annually), including revenues from the real estate tax increases in 2018 and 2020 and the sanitation fee increase in 2020. Revenues spiked to \$86.7 million in 2022 because of the \$6 million ARPA allocation.

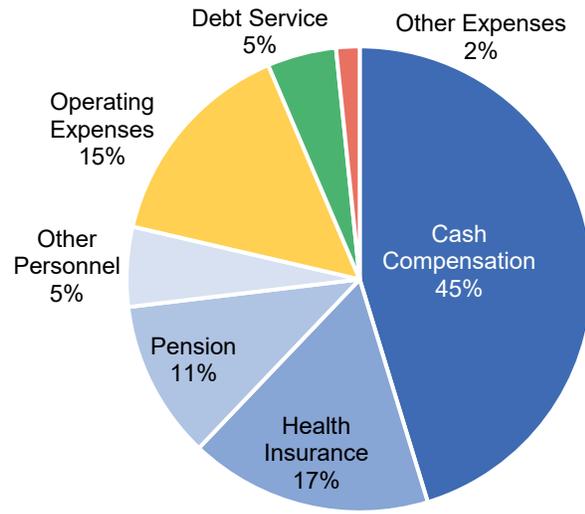
Revenues are expected to step down from \$86.7 million to \$85.3 in 2023 million as the Township uses less ARPA funds to support operations. Revenues would drop again, either in 2024 (if the Township does not use ARPA to fund operations next year) or in 2025 (when the program ends). As noted above, the real estate transfer tax first levied in 2022 could offset some of this reduction. The 2023 budget target for that source is \$750,000, but 2022 revenues through October reportedly exceeded \$2 million. Stronger performance in that area would provide a buffer against the end of ARPA. Otherwise, the Township's revenues are projected to grow by 0.8 percent per year, assuming no further real estate tax or sanitation fee increases.



Expenditures

Since local governments provide labor-intensive services like police patrol, fire suppression, and code enforcement, personnel expenditures account for most of Upper Darby Township's budget. The 2023 budget includes \$66.2 million for employee cash compensation, health insurance, pension contributions, and other personnel costs, or 78.6 percent of the total General and Sinking Fund budget. The remaining 21.4 percent expenditures covers the Township's debt and other operating expenses, like refuse disposal fees, equipment maintenance and contracted services.

2023 General and Sinking Fund Budget



Cash Compensation

Salaries and Wages

Salaries and wages are the single largest expenditure driver, accounting for 38.8 percent of the total 2023 budget. Salaries and wages grew by 3.1 percent annually on average from 2017 to 2020, and then dropped 2.5 percent in 2021. Township officials explained that turnover – replacing higher paid, more senior employees with lower paid, more junior employees – explains some of this drop. The 2023 budget includes \$32.6 million for salaries and wages, a 6.3 percent increase over the 2022 budget.

Most of the Township's employees belong to one of four bargaining units: the Fraternal Order of Police (FOP), International Association of Firefighters (IAFF), Office and Professional Employees International Union (OPEIU), and Transport Workers Union (TWU). Across the board (ATB) salary and wage increases for covered employees are set by collective bargaining agreements between the unions and the Township.

In recent years, most bargaining units received ATB annual wage increases of at least 3.0 percent. The table below shows the negotiated wage increases (cells in white) and our projections for years where there is not an agreement already in place (cells in blue). As noted earlier, the projections in blue are not recommendations or collective bargaining proposals. They take the most recently negotiated wage increases and carry them forward to get a baseline projection.

Base Salary Growth by Bargaining Unit, 2024 – 2027

	2022	2023	2024	2025	2026	2027
Police	TBD	TBD	3.0%	3.0%	3.0%	3.0%
Fire	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
OPEIU	3.5%	TBD	3.5%	3.5%	3.5%	3.5%
TWU ¹⁰	6.0%	2.5%	3.5%	3.5%	3.5%	3.5%

At the time of writing this report, the Township's last contract with the FOP expired at the end of 2020 and the parties were negotiating a new agreement that would assumedly cover 2021 and 2022, and could provide retroactive wage increases for those years. To avoid projecting too little for police salaries, there is an adjustment in the baseline projection beginning in 2024.

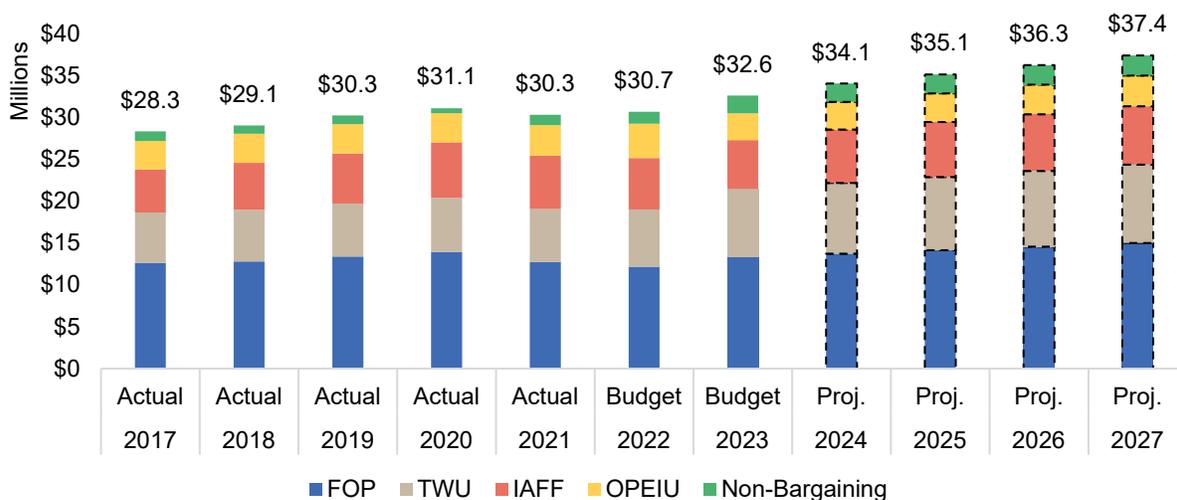
¹⁰ The TWU reached an agreement with the Township in March 2022 to increase salaries and wages 3.5 percent on top of a previously negotiated 2.5 percent increase. The full 6.0 percent is shown here.



Similarly, we increased the projection for firefighter salaries beginning in 2024 to avoid under projecting spending in this area. The Township spent \$6.4 million on firefighter wages in 2021 and has 3.0 percent ATBs negotiated for 2022 and 2023. The Township’s budgets show spending on firefighter wages dropping by 3.6 percent in 2022 and then dropping another 5.5 percent in 2023. It is possible that the Township will reduce wages by 8.9 percent over two years but, in the absence of more information, we did not want to presume that those budgeted decreases occurred.

Some employees such as elected officials, finance, human resources, and the chief administrative officer (CAO) are not part of the Township’s four unions and are considered “non-bargaining.” Their salaries and wages are anticipated to grow by 3.0 percent annually.

Salaries and Wages by Bargaining Unit, 2017 – 2028



With these assumptions and adjustments, total salaries and wages are projected to grow by 3.2 percent each year through 2027. The baseline projection assumes no further changes in headcount changes or include savings assumptions related to vacant positions or turnover.

Premium Pay

Premium pay includes the shift differential and holiday pay for police and firefighters. According to the most recent contracts, both police officers and firefighters are entitled to 14 holidays per year and receive 10 percent additional pay for working night shifts. The Township pays an average of \$1.7 million annually for premium pay, which grew at an average of 2.4 percent from 2017 to 2021. Because shift differential and holiday pay are tied to the employee’s base salary, the projection assumes that premium pay grows at the same rate as salaries.

Overtime

Most of Upper Darby’s overtime spending is associated with police and firefighters. From 2017 to 2021, total overtime spending decreased from \$3.3 million to just under \$3.0 million or an annual decline of 2.5 percent. In 2020, firefighters had the highest overtime spending of the last five years during the onset of the pandemic while non-public safety employees had the lowest overtime in recent years. In 2021, the police department restructured its court appearance practices, contributing to a \$130,000 decrease in spending.



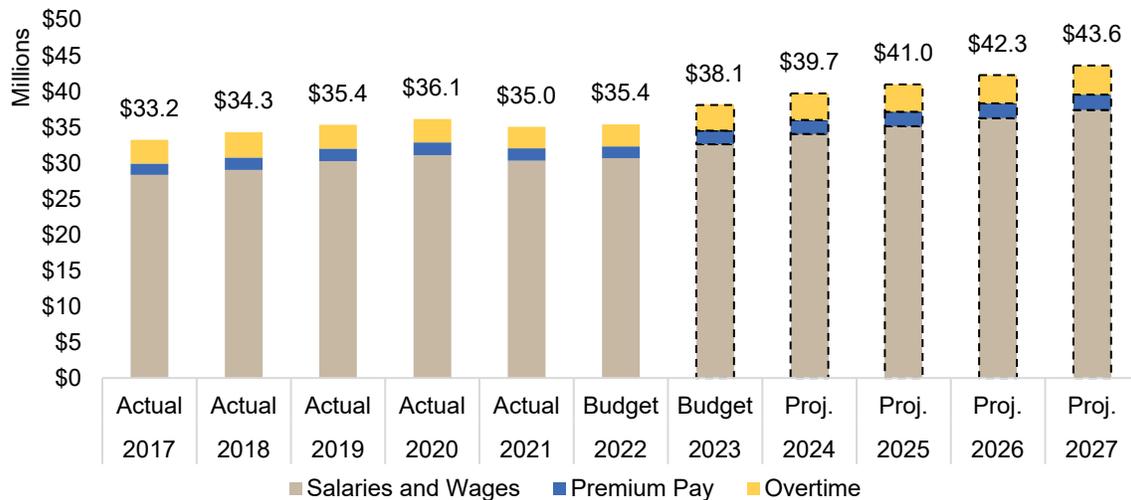
Overtime Spending by Department, 2017 – 2021

	2017	2018	2019	2020	2021	CAGR
Police	1,782,699	1,891,354	1,890,565	1,607,863	1,471,924	-4.7%
Fire	1,183,474	1,228,763	1,070,547	1,469,220	1,214,077	0.6%
Non-Public Safety	337,801	412,432	381,509	188,818	295,624	-3.3%
Total Overtime	3,303,974	3,532,549	3,342,620	3,265,901	2,981,625	-2.5%

The projection anticipates that overtime spending will increase along with salaries and wages as outlined in collective bargaining and estimates across the board wage increases as previously described. The baseline does not include any changes to headcount, vacancy, or operational practices that may impact overtime spending.

In aggregate, the Township’s spending on cash compensation is anticipated to grow from \$38.1 million in the 2023 budget to \$43.6 million in 2027, or an average annual increase of 3.2 percent driven by the estimated across the board wage increases outlined in the most recent collective bargaining agreements. While the growth rate looks high relative to the amounts reported in 2021 and budgeted in 2022, it is similar to growth in 2018 (3.2 percent) and 2019 (3.1 percent).

Total Cash Compensation, 2017 – 2027



Health Insurance

Upper Darby offers health insurance coverage to both its active employees and retired police and fire personnel. The Township is part of the Delaware County Public School Healthcare Trust along with over 30 other municipalities. The Township pays a “premium” into the trust each year for employee coverage, and then the trust pays actual claims. In this arrangement, the Township is self-insured while still spreading its risk over a larger pool and longer period of time.

Health insurance spending out of the General Fund also includes payments for employees whose salaries and wages are paid from the enterprise funds (Sewer, Highway), and for retiree health insurance (also called Other Post-Employment Benefits or “OPEB”). From 2017 to 2021, health benefits spending was relatively flat, growing at an annual average rate of just 0.6 percent. This is much lower than industry trends, which show premium costs increasing 3.7 percent for single coverage and 4.3 percent for families during the same period.



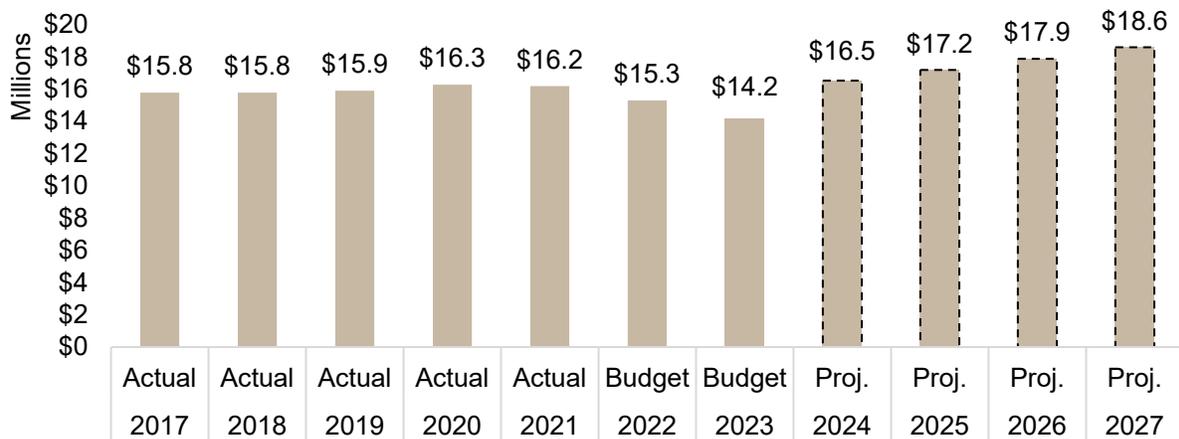
Township Health Insurance Spending Compared to Industry Trends, 2017 – 2021¹¹

	2017	2018	2019	2020	2021	CAGR
Township Health Insurance Spending	\$15,775,365	\$15,776,271	\$15,897,043	\$16,271,249	\$16,181,376	0.6%
Average Family Premium	\$18,764	\$19,616	\$20,576	\$21,342	\$22,221	4.3%
Average Single Premium	\$6,690	\$6,896	\$7,188	\$7,470	\$7,739	3.7%

In 2022 and 2023, the Township negotiated with its broker for a two-month “holiday” wherein they receive 12 months of coverage while paying for 10 months of premiums. As a result, spending on health insurance dropped to \$14.2 million in the 2023 budget. During conversations with the Township’s broker, they noted that the flat spending is partially due to relatively low claims costs charged to the trust.

The baseline assumes that the Township resumes making 12 monthly premium payments in 2024, which results in a proportional increase of \$2.4 million over 2023 budgeted amount. The baseline then grows that amount by 4.0 percent, which was the average growth in premiums for plans from 2017 through 2021 shown above.

Health Insurance Costs, 2017 – 2027



Pension

The Township’s third largest expense category is the annual contributions that the Township makes to its three pension plans for police officers, firefighters, and non-uniformed employees, also called the minimum municipal obligations (MMOs). Upper Darby’s total MMOs grew from \$7.3 million in 2017 to \$9.1 million in 2021, or an annual growth rate of 5.7 percent. Pension contributions dropped in the 2022 budget to \$8.3 million but are anticipated to increase by 12.1 percent to \$9.2 million in the 2023 budget.

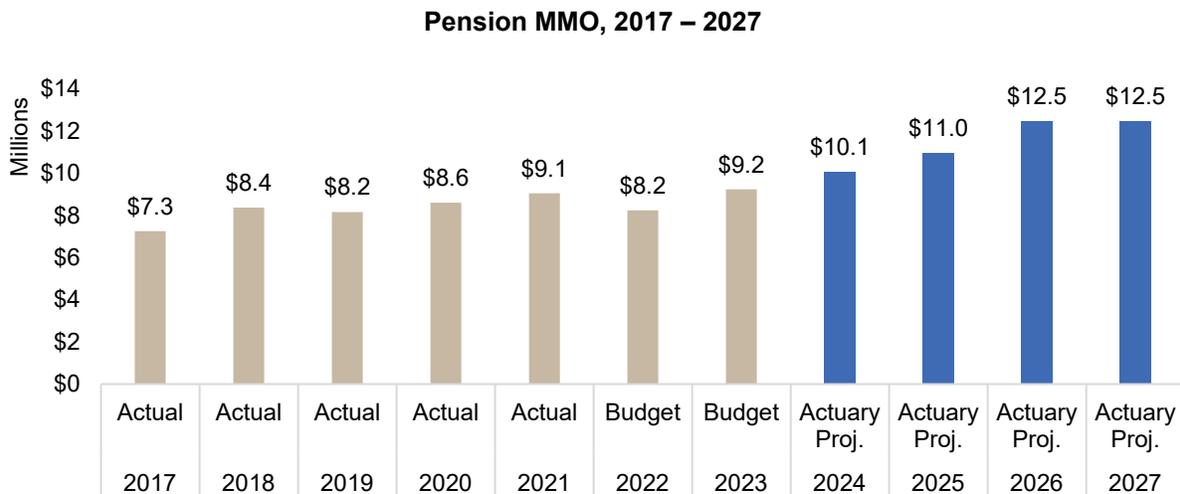
The baseline uses MMO projections from the Township’s actuaries, who also calculate the actual required contributions to the plans each year. The 2024 police MMO provided for our analysis (which the actuary notes would be refined before it is finalized in late 2023) is \$6.2 million, or \$1.1 million higher than the amount budgeted for 2023. The actuary projects another large increase in 2026 when the MMO rises from

¹¹ Average family and single premium amounts from the Kaiser Foundation 2021 Employer Health Benefits Survey; Figure 1.12 Average Annual Premiums.



\$6.3 million to \$7.8 million. We include these amounts in the baseline but emphasize that they are drafts that will be refined each fall.

Using actuarial projections for the three plans, the baseline anticipates that total pension MMO payments will increase from \$9.2 million in the 2023 budget to \$12.5 million in 2027 (or an average annual increase of 7.5 percent).



Other Personnel

Other costs associated with personnel include workers' compensation insurance, payroll taxes, uniform and car allowances, and training and travel expenses. These expenses represent a small portion of the total cost of personnel and have grown slowly over the past five years at 0.1 percent from 2017 to 2021. The projection grows payroll taxes at the same rate as base salaries and holds workers' compensation spending flat.

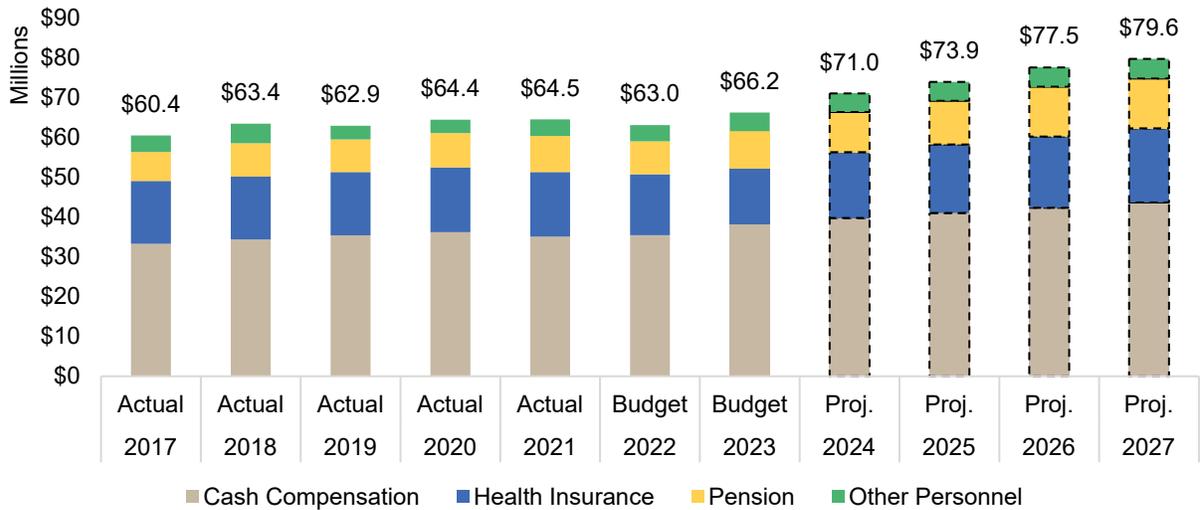
Upper Darby had very modest growth in personnel costs from 2017 through 2021. Salary spending rose by 1.7 percent despite most employees receiving annual base wage increases of at least 3.0 percent. Overtime spending dropped over this period with those savings attributed by Township officials to changes that reduced spending on police officer overtime related to court appearances. The Township also reportedly had significant turnover savings in some departments where higher paid, more senior employees retired and were replaced by lower paid, more junior employees.

In the near term, Township officials should expect total personnel costs to rise. Police officers who have had their salaries frozen at 2020 levels will eventually receive annual base wage increases, including the potential for retroactive increases in 2020 and 2021. Firefighter salary spending, which was projected to decrease in the last two budgets, should stabilize if not grow, assuming no changes in headcount. The Township will not enjoy a two-month holiday on its insurance contributions indefinitely. The pension contributions already increased by \$1 million from 2022 to 2023 and the actuaries project they will continue to rise.

Over the long term, compensation costs could grow less than projected in the baseline, especially if there are significant savings from turnover or vacancies not projected here. For that reason, the Township should revisit these projections and update them at least annually. The Township should also continue its move toward a budget that accounts for the cost of individual positions, which reduces the chance of significantly over- or underbudgeting salary costs. We return to this concept later in the Plan.



Total Personnel Costs, 2017 – 2027



Operating Expenses

As described in the revenue section, the Township provides residential refuse and recycling collection. In addition to the personnel costs to staff operations, the Township pays **tipping fees** to the Delaware County Solid Waste Authority (DCSWA) to dispose the material collected. Tipping fee expenditures jumped from \$1.6 million in 2019 to \$2.5 million in 2020 and stayed close to that amount in 2021. While the baseline projection does not assume any increase in the Township’s fees, it is reasonable to assume that DCSWA will continue to increase its fees, which was the primary reason for 13.1 percent annual growth in tipping fees from 2017 to 2021. The 2023 budget anticipates costs will rise to \$3.0 million, and the baseline applies a 5 percent growth rate to accommodate some growth in trash volume and DCSWA fees.

Some of the other large items in this category include:

- The Township spent \$1.5 million per year on **general liability insurance**, though yearly expenditures ranged from \$1.1 million to \$1.8 million over the period reviewed. The 2023 budget reduces the allocation to \$1.2 million. Given the large fluctuations in prior years, the baseline assumes that costs will return to the five-year historical average of \$1.5 million from 2024 through 2027.
- The Township’s **utility expenditures** cover water, electricity, telephones, and vehicle fuel. Spending on these items was consistently around \$1.4 million from 2017 through 2021. The Township increased the utilities budget to \$1.9 million in anticipation of much higher vehicle fuel spending. The 2023 allocation (\$740,000) more than doubles the reported spending during 2021 (\$366,000). The baseline holds that line flat for the projection period and then applies a 2.6 percent utility-related inflation rate to other items.¹²
- The Township’s spending on **maintenance and repairs** for its facilities, equipment and vehicles declined from \$1.4 million in 2017 to \$1.2 million in 2021. The 2023 budget assumes that these expenditures will rise to \$1.7 million with a larger allocation for the fire department this year, and the projection grows this amount by inflation. The Township does not have a comprehensive capital budget to fund large repair, replacement, or renovation projects, so it is susceptible to spending more than projected on these items on an emergency basis. We return to this concept later in the Plan.

¹² US. Energy Information Administration, Annual Energy Outlook 2022, Table 3. Energy Prices by Sector and Source (March 2022).



- Upper Darby has a combination fire department with full-time firefighters working 24-hour shifts from Monday through Friday, and **volunteer firefighters** on weekends.¹³ The Township does not own the fire stations out of which it operates, and instead makes contributions each year to the fire houses for use of facilities and volunteer fire coverage on the weekends. Annual contributions average about \$1 million each year, and the baseline projects that amount through 2027.
- **Contracted services** cover spending on outside professionals ranging from legal counsel to accountants to information technology specialists. Spending on these items fluctuated between \$257,000 and \$665,000 from 2017 to 2020, and then jumped to \$1.6 million in 2021 when the Township contracted out information technology support, launched several large IT projects and contracted with external accountants to complete prior year audits and related work. The 2023 budget allocates \$1.8 million to these purposes, including \$300,000 for the police department. The baseline assumes a reduction in external accounting support as scheduled projects are completed, but that the other contractual arrangements in the 2023 budget continue with annual price increases for inflation.

The following table shows the projections for these items at a summary level.

Projected Operating Expenses, 2024 – 2027

	2024 Projected	2025 Projected	2026 Projected	2027 Projected	Projected Growth
Refuse Disposal Fees	3,172,444	3,331,066	3,497,619	3,672,500	5.0%
General Insurance	1,533,427	1,533,427	1,533,427	1,533,427	0.0%
Utilities	1,933,222	1,964,491	1,996,579	2,029,508	1.6%
Maintenance and Repairs	1,750,432	1,809,946	1,871,484	1,935,115	3.4%
Volunteer Fire	1,010,000	1,010,000	1,010,000	1,010,000	0.0%
Contracted Services	1,778,933	1,839,417	1,901,957	1,966,623	3.4%
Other Operating expenses	2,043,501	2,102,780	2,164,074	2,227,453	2.9%
Total Operating Expenses	13,221,959	13,591,127	13,975,141	14,374,626	2.8%

Debt Service

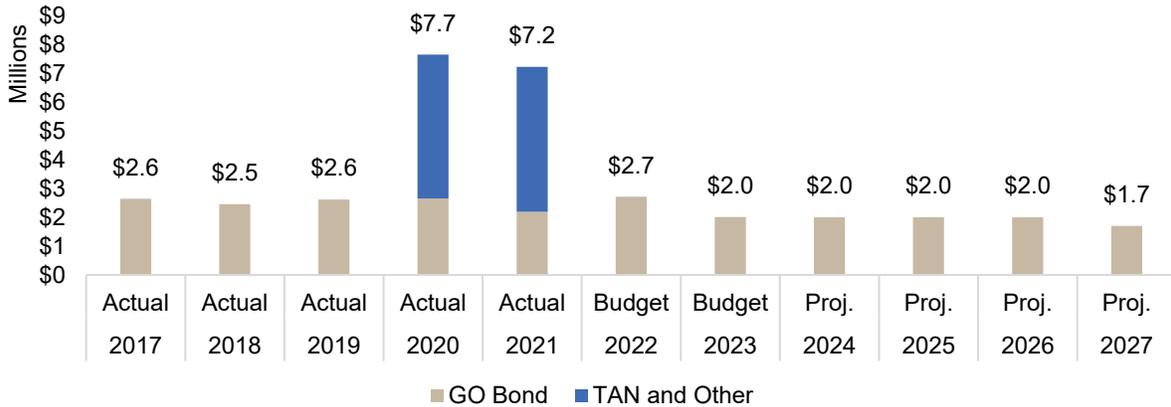
General obligation (GO) debt service is paid from Upper Darby’s Sinking Fund, and we include those expenditures in our analysis since the real estate tax covers all the debt and most of the operating costs. On average, the Township pays \$2.5 million per year from the Sinking Fund for GO debt.¹⁴ In 2020 and 2021, the Township also used Tax Revenue Anticipation Notes (TRANS) in the early part of the year to cover operating expenditures until real estate tax revenues arrived. The baseline shows the debt payments currently scheduled from the Sinking Fund, but it does not show any TRANS since they are issued and repaid in the same year. Please note that the baseline does not account for any new debt issuances or debt refinancing, though it is likely that there would be more activity in this area before the end of 2027.

¹³ The Garrettford-Drexel Hill station is manned by volunteer firefighters and staffed 7 days per week, 24 hours per day.

¹⁴ We did not receive any Sinking Fund financial data for 2017 and therefore use the General Fund transfer as a proxy for debt service in 2017.



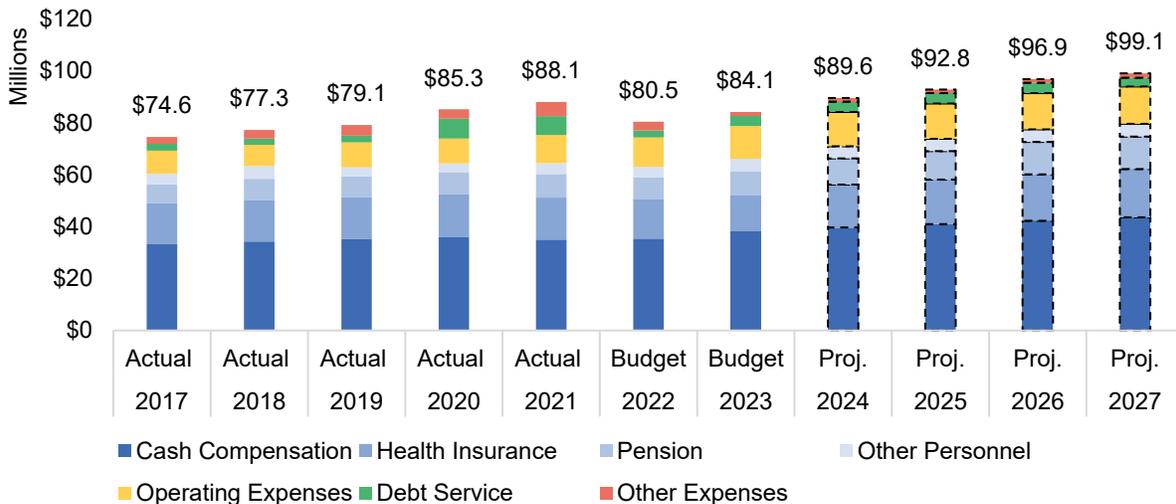
Total Debt Service, 2017 – 2027



Other expenses

This category has all expenditures not covered in the prior categories. This includes expenses associated with the Township’s Housing and Urban Development (HUD) grant, a recurring annual contribution to Upper Darby libraries of about \$1.5 million, and miscellaneous expenses.¹⁵ The 2023 budget includes \$3.4 million in other expenses, and the baseline projection assumes that these will remain flat through 2027.

Total General and Sinking Fund Expenses, 2017 – 2027



Expenditures from the General and Sinking Funds rose from \$74.6 million in 2017 to \$88.1 million in 2021 (or an average annual increase of 4.2 percent). The 2021 expenditures include \$5 million for TRAN repayment and, if that amount is removed, the spending growth drops to 2.7 percent per year.

As noted earlier, Upper Darby had very modest growth in personnel costs from 2017 through 2021. In the near term, Township officials should expect more growth in these expenditures. The Township’s contributions to the employee pension plans have already increased and health insurance costs will rise when the Township resumes paying 12 months of insurance premiums, instead of the 10 monthly payments

¹⁵ When we received the initial data transfer from the Township, there were pages missing from the scanned green bar sheets. The other expense category includes an amount to account for missing line items in 2018, 2019, and 2020.



budgeted this year. The Township should also plan on higher expenditures for police wages, which have been frozen at 2020 levels since the collective bargaining agreement expired.

Over the long term, compensation costs could grow less than projected in the baseline, especially if there are significant savings from turnover or vacancies not projected here. On the other hand, the baseline may understate future debt payments since it does not include any new debt issued through the end of 2027. For those reasons, the Township should revisit these projections and update them at least annually.

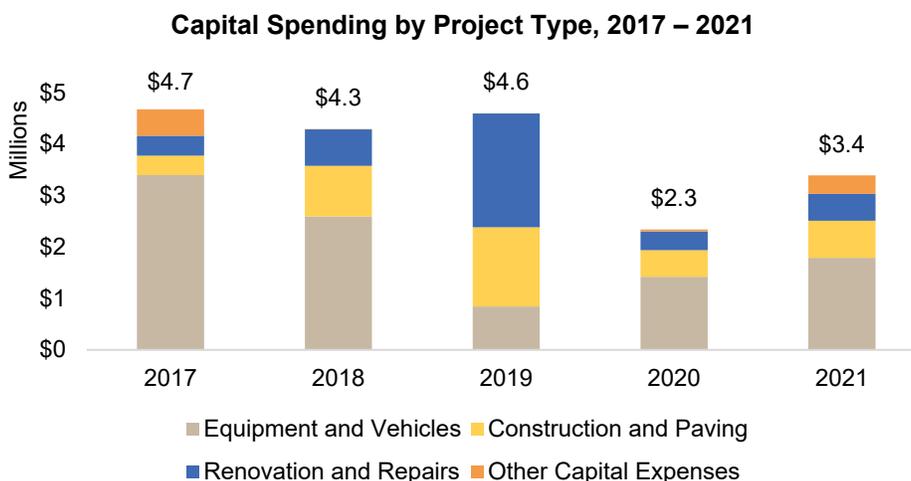
What about capital spending?

The General Fund covers the cost of daily operations, and the Sinking Fund makes the Township’s scheduled payments for debt principal and interest. There is a third category of expenditures – capital projects – that the Township should plan and execute regularly.

Township government owns and is responsible for maintaining several buildings, parks, roads, bridges, and other pieces of infrastructure that residents, businesses, and visitors use every day in Upper. This includes:

- 128 miles of roads
- Eight bridges
- Several parks, playgrounds, and recreation areas
- Municipal buildings like the Township Building and Police Station

Capital projects involve the rehabilitation, replacement, or renovation of existing assets or purchase of new assets. The Township has traditionally used a separate Capital Fund to pay for some of these projects. The bar graph below shows the Township’s spending from that fund by project type.



Because the baseline projection assumes a carryforward scenario in which the Township’s future spending tracks recent spending, the baseline provides very little funding for capital projects. It does not assume any new debt is issued to fund capital projects, nor does it include any General Fund pay-as-you-go contribution to the cost of capital projects.

There may be resources available outside of the General Fund to invest in these assets, and we will explore some of them in later sections of this Plan. We also encourage the Township to create a more formal capital improvement program (CIP) to organize and prioritize these projects.

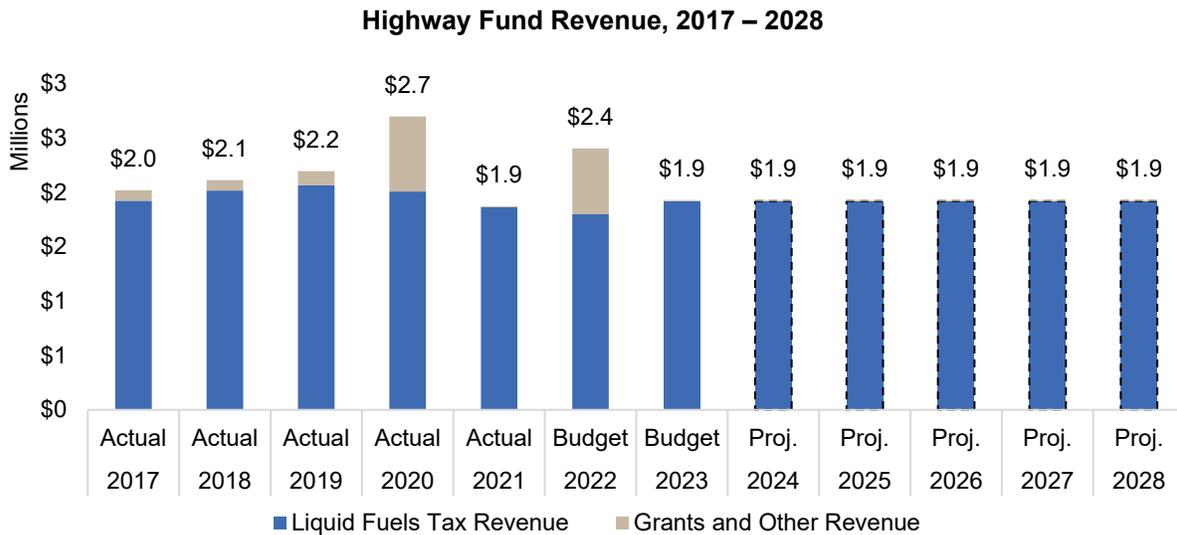


Highway Fund

Like other Pennsylvania municipalities, the Township has a separate Highway Fund to pay for expenses related to street and bridge maintenance and repairs.

Most of the Highway Fund revenue comes from the Commonwealth Municipal Liquid Fuels (MLF) allocation, which is based on Upper Darby’s population and the miles of eligible roads. Historically, the Township has received about \$2.0 million annually from this revenue source. The 2023 budget anticipates that the Township will receive \$1.9 million this year in Liquid Fuels revenue, and the baseline carries this amount forward.

The Township has sporadically received other grants within this fund (see bar graph below), but they are not recurring and are not included in the baseline.



Historically, the Township has used most of the Fund’s revenues to pay for employee salaries and associated payroll taxes.¹⁶ For example, Upper Darby spent \$1.6 million on personnel costs and \$73,000 on everything else in 2021.

Employee compensation costs are large enough that they consume much of the allocation, leaving less to pave roads and complete repair projects. While Township personnel are important, the Township also needs materials, supplies and occasional contracted services to pave roads and repair bridges. The Township only used \$154,000 per year on these needs, and never more than \$258,000, during the review period.¹⁷

The Township is trying to shift some of these personnel costs out of the Highway Fund and back into the General Fund, so there is more money available to repair and pave roads. The 2023 budget allocates \$1.4 million for employee compensation while the 2022 budget allocated \$1.9 million for the same purposes.

Historically, the Township has spent less from the Fund than it received into it, even in years when the MLF allocation was the only meaningful source of revenue. The Township had \$1.1 million in reserves in the Highway Aid Fund at the end of 2019 and \$1.6 million at the end of 2020. We return to the question of how the Township currently uses this Fund later in the Plan.

¹⁶ The General Fund covers expenditures for employee benefits, including the associated portion of the contribution to the employee pension plan.

¹⁷ The Township also allocated \$495,000 from its 2021 Capital Project Fund to road repairs and maintenance paving in 2021.



Key conclusions

The analysis presented to this point enables us to answer the three questions posed at the start of this chapter in a way that will inform what Township leaders should do to change Upper Darby’s financial trajectory.

Are the Township’s recurring revenues sufficient to cover recurring expenditures?

No, and they haven’t been sufficient since at least 2018.

The preliminary results provided by the Township for analysis show combined deficits in the General and Sinking Funds each year from 2017 through 2020. The audited results show deficits in three of those four years. The preliminary results for 2021 show another \$4.4 million deficit which, without the Township’s used of \$6 million in federal American Rescue Plan Act funding under the revenue replacement provision in 2022, would have depleted the Township’s reserves.

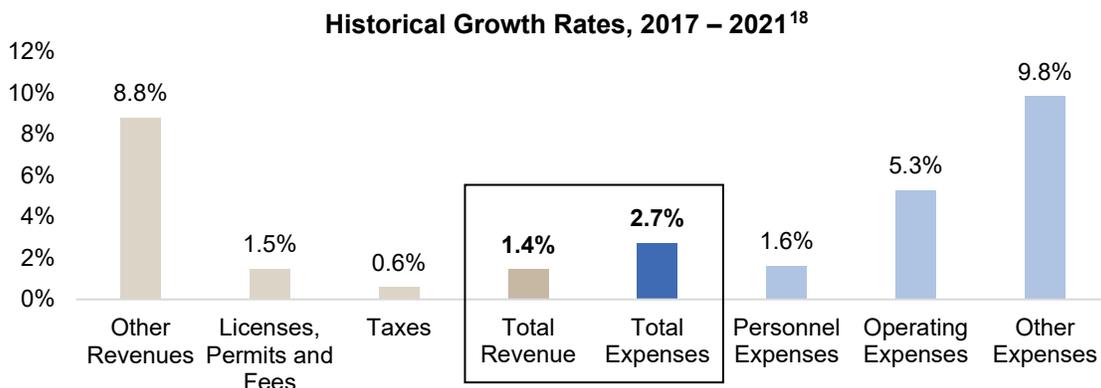
The Township’s 2023 budget is balanced but only because of three temporary supports:

- The Township is using \$2.5 million in ARPA funding to cover police department expenditures. ARPA dollars can only be used in this manner through the end of 2024.
- The Township is using \$1.3 million in one-time Sinking Fund reserves to help cover the cost of its scheduled debt payments. In 2024, the Township will likely need to allocate more of its real estate tax to its debt, which will leave less available for operations
- The Township will pay 10 months of premiums for 12 months of employee health insurance this year, which temporarily reduces expenditures in this area by about \$1.4 million.

Are there any projected deficits in the baseline and, if so, how much are they expected to grow absent corrective action?

Like many Pennsylvania municipalities, Upper Darby has a structural deficit where recurring expenditures grow faster than recurring revenues.

From 2017 to 2021, revenue grew by 1.4 percent annually, even after real estate tax and sanitation fee increases, while expenditures grew by 2.7 percent. Even with the modest growth in personnel costs during this period, total spending grew faster than total revenues.



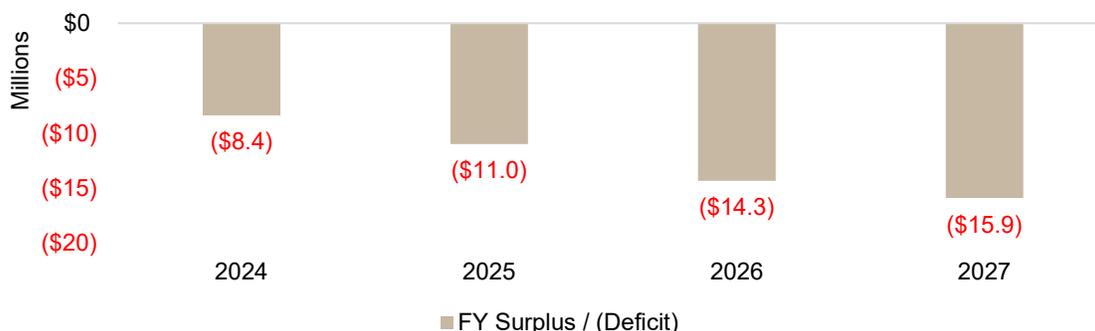
The baseline projection is a diagnostic tool that shows the Township’s revenues and expenditures in a *status quo* scenario. If the Township does not take corrective action – or if it only takes corrective actions

¹⁸ Growth rates exclude and spikes in revenues or expenditures caused by Tax Anticipation Note (TAN) cash flows and American Rescue Plan Act (ARPA) one-time revenue replacement.



at the level used in recent years – then deficits will return in 2024 or 2025, depending on whether the Township uses its ARPA funding one more time to cover a potential deficit next year.

Baseline Projection, 2024 – 2027



The Township used \$6 million in ARPA in revenue replacement to fund operations in 2022 and plans to use another \$2.5 million in 2023. Upper Darby could use ARPA one more time in 2024 to support General fund operations before that part of the federal program expires.¹⁹ How much Upper Darby can use next year depends on how much remains from the Township’s total allocation and the revenue replacement calculation that must be completed each year according to the federal guidelines set by the US Department of Treasury.

Whatever support ARPA provides for 2024, Upper Darby won’t be able to use it again in 2025. At that point the Township will also have used its reserves in the Sinking Fund and assumedly resume paying for a full year of employee health insurance coverage. Meanwhile, the Township’s projected revenues will have very modest growth absent tax or rate increases.

We have also noted a few items where the Township could outperform the baseline projections without any corrective action taken. The real estate transfer tax first enacted in 2022 is still very new, and revenues collected last year were higher than the budget target set for 2023. Similarly, the actuary who projected future required contributions to the police pension plan noted that the numbers are preliminary. So, it is possible that contribution will not really grow by \$1.0 million next year. But even if we assume real estate transfer tax revenues finish \$2 million higher than assumed in the 2023 budget and the police pension contribution is \$1 million lower than the actuary’s estimate, the projected results are still negative.

What are the key revenue and expenditure trends that drive the Township’s financial performance?

We have identified three key trends that summarize much of Upper Darby’s financial performance:

- **Upper Darby is heavily reliant on real estate tax revenues because it does not use the earned income tax.**

Most of the Township’s total revenue comes from current year real estate taxes, which are anticipated to grow by 0.9 percent from 2024 to 2028. Slow growth in the real estate tax base is not unique to Upper Darby. Most Pennsylvania municipalities have this trend because the real estate tax base is the assessed value of taxable property and reassessments happen very infrequently. Delaware County just completed a reassessment in 2021, and most Pennsylvania counties go decades between reassessments, so we do not expect another one during this Plan period.

¹⁹ Municipalities obligate their SLFRF allocation by December 31, 2024 and spend it by December 31, 2026. At this time, we do not believe the revenue replacement provision can be used after 2024.



What separates Upper Darby from other similarly sized Pennsylvania municipalities is that the Township does not levy an earned income tax on its residents or non-residents who work in the Township.

	Population	Wage Tax?
Erie	96,616	Yes
Reading	88,333	Yes
Upper Darby	82,876	No
Scranton	76,997	Yes
Bethlehem	55,690	Yes

Upper Darby is not the only Township in Delaware County that does not levy the EIT, but it is the only municipality of its size in Pennsylvania that does not do so. Despite the Township designation, Upper Darby's population makes it one of the largest municipalities in the Commonwealth, ahead of the cities like Scranton (population of approximately 77,000) and Bethlehem (population approximately 56,000). These municipalities (and several other Pennsylvania cities) generally have two sources of locally generate revenue – one that is very flat (the real estate tax) and one that grows (EIT). Upper Darby only has the former.

Growth in EIT revenues varies by municipality, but the table below provides a sense for how earned income tax revenues collected from residents would have grown from 2016 through 2020. For comparison, Upper Darby had just three revenues that generated at least \$1 million in 2021 and grew by 4.0 percent from 2017 through 2021 – prior year real estate taxes, HUD grant revenues that can only be used for specific purposes, and sanitation fees where the Township increased rates.

Upper Darby Resident Earnings, 2016 – 2020²⁰

	2016	2017	2018	2019	2020	CAGR
Median Income (\$)	55,322	57,652	60,293	62,843	64,994	4.1%
Mean Income (\$)	77,866	81,283	84,938	88,607	91,547	4.1%

- *The cost of providing sanitation services naturally increase over time, but the revenues available to fund those services only increase when the Township raises the fees.*

The direct costs of operating a residential refuse and recycling collection service rose from \$4.5 million in 2017 to \$6.2 million in 2021, or 8.3 percent per year. Those amounts are not the full cost of service because the Township's budget only tracks employee cash compensation and some major non-personnel expenditures, like refuse disposal fees. Spending on employee health insurance benefits; the Township's contribution to the employee pension plans; and the cost of repairing, replacing, and maintaining vehicles have historically been tracked outside of the Sanitation division. The Township should expect all expenditures to rise over time because of negotiated wage increases, inflation, and other factors.

Meanwhile, the base of users who pay for these services is basically flat. Upper Darby has not had significant population growth in recent years and sanitation fees are paid on a per household basis. Once again, the Township has a revenue that does not grow (absent rate increases) paying for expenditures that do.

- **Total personnel costs grew at a modest rate in recent years. The Township should expect more robust growth through 2027.**

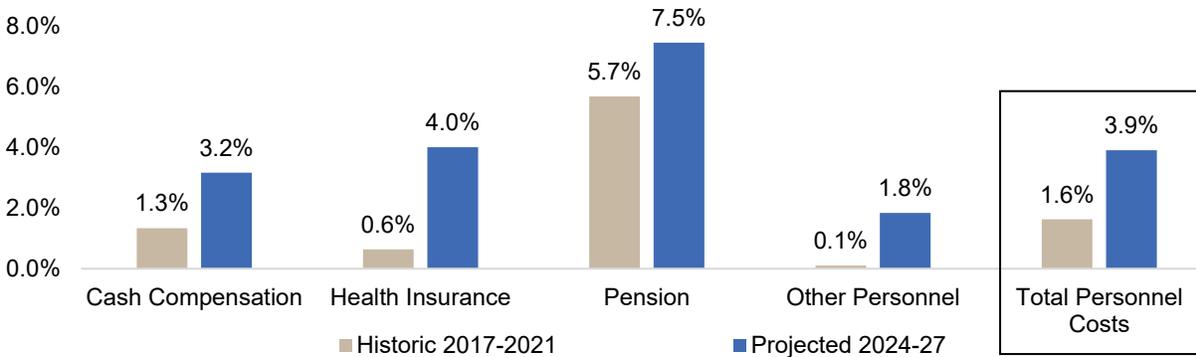
From 2017 to 2021, personnel expenses grew modestly at 1.6 percent for the reasons described earlier in the chapter. Looking ahead, it is reasonable to assume that police officers will receive wage increases and the Township will eventually pay for 12, instead of 10, months of employee health insurance again. Those likely increases coupled with the already-in-progress increases in

²⁰ Census Bureau, American Communities Survey, 5-year Estimates, 2016 – 2020



the Township's pension contributions yield higher cost growth overall than the Township enjoyed the past five years.

Historical versus Projected Personnel Cost Growth Rates



We started this financial condition assessment by describing the Township's recent deficits and its declining level of reserves, and much of this chapter has focused on the Township's financial performance. Avoiding further deficits and rebuilding reserves are important goals to strengthen Upper Darby's financial position, but we recognize that Township government's success is not measured solely by financial objectives. The next chapter takes a broader view of Township government's mission before presenting initiatives to improve Upper Darby's financial performance and advance its strategic goals.



Mission and Management Review

The prior chapter describes the Township’s historical financial performance and identifies the trends that have driven the Township’s finances out of balance and will continue to do so absent corrective action. Much of this Plan provides potential initiatives to close this structural deficit and improve the government’s financial performance and financial management.

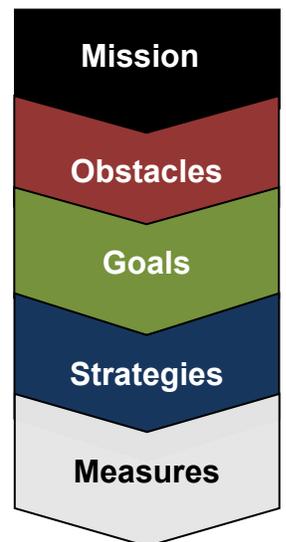
Better financial performance and stronger financial management are important goals on their own, but they are also means to ends. They are critical so the organization has sufficient resources and allocates them effectively to fulfill its mission. While there is often a natural tension between financial goals, operational needs, and strategic priorities, the three factors should be aligned as much as possible. For this reason, the Government Finance Officers Association (GFOA) recommends that all governments use some form of strategic planning to do the following:¹

- Create a **mission statement** that provides a “broad, but clear, statement of purpose” for the government as an organization. It should incorporate leaders’ thoughts on what Township government should do and should not do.
- Identify the **obstacles** that need to be addressed to advance the mission. An honest, thorough discussion of the government’s mission will surface some obstacles that Township government cannot resolve on its own, so it should look for partners outside of the organization itself.
- List a small number of **goals** that Township government will pursue to address the obstacles and advance the mission. It may be necessary to prioritize the goals to guide decisions on how to allocate limited resources, including staff time.
- Develop **strategies** describing how “the environment can be influenced...to meet goals. A single strategy may relate to the achievement of more than one goal. There should be a relatively small number of specific strategies developed to help choose among services and activities to be emphasized.”

Having a strategy does not guarantee that it will be successfully executed or that successful execution will advance the mission as intended. So, whenever possible, the Township should have measures to gauge whether and how well a strategy is working.

This chapter offers an initial mission statement based on our conversations with Township officials; identifies some obstacles to advancing that mission statement; and then introduces how the rest of this Plan can be part of the community’s effort to overcome those obstacles.

This chapter is not the definitive, final word on any of these strategic considerations, but it should frame why good financial performance and strong financial management are foundational to improving Upper Darby in ways that extend beyond the Township government’s balance sheet. Whatever the Township decides its mission and goals should be, the Township will need to manage and allocate its resources effectively and efficiently to those ends.



¹ GFOA Best Practice on the Establishment of Strategic Plans, March 2005. <https://www.gfoa.org/materials/establishment-of-strategic-plans>



Starting with a mission statement

In Summer 2022, PFM met with Mayor Keffer, the Chief Administrative Officer, and two Deputy CAOs for an initial discussion about the Township's mission statement. We also spoke with the leaders of the Township's Police, Fire and Public Works departments about how their services related to this mission statement. The Mayor's team has already developed a mission statement and goals that are a very good starting point for strategic planning.

Mission: To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

The first part of the mission statement acknowledges that Township government's primary job is providing services. The main services that the Township provides to its residents are public safety coverage; residential refuse collection; street, park, and sewer maintenance; and code and parking enforcement. Those services account for two thirds of the Township's 2022 budget and most of its staff.

As a service provider, the Township needs a workforce that is well-trained, customer-oriented, and reflective of Upper Darby's diversity. It needs effective technology; efficient processes; and well-managed relationships with contractors and vendors. Underlying all of this is having the financial stability to compensate its employees now, fund future retiree benefits, and make sufficient investments in the infrastructure (vehicles, roads, facilities) that the Township and its residents use every day.

The mission statement does not specify which services Township government should provide or explain how to allocate limited resources between them. But it does place higher value on those that create "welcoming neighborhoods, thriving business districts and vibrant public spaces."

The **world-class designation** is intentional since Upper Darby is a very diverse community. A higher percentage of Upper Darby residents speak a language other than English (26.5 percent) than Philadelphia residents (23.7 percent), and one person estimated that close to 100 languages and dialects are spoken at Upper Darby High School. The cultural diversity makes Upper Darby vibrant, but it also creates unique challenges for Township government as a service provider.

Upper Darby has its own Welcome Center to help immigrants acclimate to their new home, and there is still considerable work to train employees to serve the diverse population and even to translate basic government documents into languages other than English. Even public spaces, like parks and walking trails, have to be re-thought to make sure that they work for Upper Darby's current population.

Welcoming neighborhoods are clean, attractive, and safe, and they attract new residents and provide good quality of life to current residents. Safety was described in terms of well-maintained infrastructure (streets, sidewalks) and responsive emergency services. Officials expressed the need to increase shaded areas across the Township, especially in the neighborhoods with low tree canopy density.

Many Upper Darby residents identify strongly with their neighborhoods. While the local officials want to support community building efforts within neighborhoods, they also want to increase awareness of and pride in Upper Darby Township as a **destination community** where people choose to live, work and play. The mission describes Upper Darby as one community, and not just a collection of individual neighborhoods within the same municipal boundaries.

Township government itself is responsible for maintaining some of the **vibrant public spaces** that residents, businesses, and visitors use every day. The Township owns 128 miles of roads,² eight bridges,³

² PennDOT Upper Darby First Class Township Map, per 2020 Census. Last revised 9-28-2022.

³ PennDOT Bridge Condition Report, Upper Darby.
Township of Upper Darby
Multi-Year Financial Plan



and three municipal buildings.⁴ The Township officials also recognize the important role that facilities owned by other organizations, like SEPTA's 69th Street Transportation Center, play in influencing resident and visitors' perspectives on whether Upper Darby is welcoming, thriving, and vibrant.

Thriving business districts means the Township is home to successful businesses of different sizes, types, and customer bases that provide employment opportunities; shopping, dining, and entertainment experiences; and economic activity. Business success can be measured in different ways – gross receipts, employment, investments in property improvements – but it should generally translate to increased tax and fee revenues for the Township, unless there is a well-defined strategic reason to abate those revenues in the short term and gain a larger return on that taxpayer investment in the future. When the tax base grows – rising resident income, higher assessed value of taxable property, more people working in Upper Darby – it correlates with a better quality of life for Upper Darby's residents, and it alleviates the need to increase tax rates on all residents and businesses.

The officials we met also described Upper Darby as a **destination community** in ways that extend beyond good residential neighborhoods. They cited the importance of having more mixed-use development, where residential, retail, and other commercial activity occur within the same neighborhood. Like many older Pennsylvania urban communities, Upper Darby does not have many untouched plots of land where meaningful numbers of new housing units can be built. As one official noted, Upper Darby has to build *up* instead of *out* to achieve population growth.

Increased population density has implications for municipal services (fire protection, parking enforcement) and the Upper Darby School District, but mixed-use development is not just about adding multi-unit residential buildings to existing neighborhoods.

A destination community has anchor sites that attract people – as residents, employees, customers, or visitors – to commercial and cultural activity that make Upper Darby a “world class destination.” Thriving business districts also help cultivate vibrant public spaces. A park or playground that is clean, attractive, and safe but sits unused is not vibrant.

To be **world class**, Upper Darby needs connections to the world outside of its borders. Multi-modal transportation connections are a priority since Upper Darby's residents and commuters use the road networks, trains, trolleys and buses for leisure and business. Upper Darby sits just seven miles from Philadelphia International Airport and the 30th Street Amtrak Station. Some parts of the Township, particularly around the 69th street corridor, score very well for walkability and others are more car-dependent. The urban areas around the 69th street corridor are considered a “walker's paradise”.⁵

Obstacles to overcome

Upper Darby's mission statement is aspirational and there are obstacles to each component of that statement. We describe some of those obstacles here along with goals that provide a starting point for discussing how to overcome those obstacles. In several instances, the goals provide the framework for considering the specific recommendations described in the subsequent Plan chapters.

⁴ Upper Darby Township building, police department, and the Watkins Senior Center.

⁵ According to the Walk Score, the location of the Upper Darby Township building is a *walker's paradise* with a score of 93 out of 100. However, Drexel Hill – also an Upper Darby neighborhood – scores a 45 and is considered car-dependent. The Walk Score is a real estate tool that measures the walkability of an address or area based on the proximity to amenities like grocery stores, schools, parks, restaurants and shops. <https://www.walkscore.com/>



World class provider of municipal services

The most obvious obstacle to providing world class municipal services – and the one most frequently cited in our discussions – was lack of resources.

We heard about the need to invest in or replace facilities that are over or close to 100 years old; vehicles that are past their useful life; playgrounds with equipment that is long past its useful life; and outdated technology that does not support a world class service provider. The public safety leadership cited the value of increasing staff so there is more coverage available consistently throughout the week and across the community. We identified a few opportunities where we believe further investment would help the Township improve financial management, which will in turn help Township leaders more effectively allocate resources to all the other departments.

Underlying these obstacles is the need to have enough revenue to not just cover the cost of day-to-day operations within the General Fund but also make investments through a capital improvement program. If the Township cannot balance its operating budget and set aside funds for capital improvements, it will not have world class municipal services. And if the Township's revenues do not grow at least at the same pace as expenditures, the Township will not balance its budget. This is not an ideological statement, but a mathematical truth.

Moving beyond the purely financial realm, the Township needs a well-trained, customer-oriented, and diverse workforce to deliver world class services.

In our kickoff meeting, the Mayor's team discussed the importance that Township government be an employer that offers opportunities for professional growth, both for entry-level employees and those who have been in the field for a long time. Leadership wants to encourage and provide learning opportunities, so employees continue to improve and innovate. This is especially important outside of the public safety agencies that have a more established command structure and more clearly defined promotional opportunities.

That said, the public safety agencies need professional development, too. We heard about the inequity in the levels of training between the paid firefighters that respond to calls Monday through Friday and the volunteers who respond to calls on the weekend. The Police Department is currently focused on improving its policies and employee training to achieve accreditation.

The staff we interviewed consistently described the importance of having a workforce that reflects the diversity across Upper Darby's residents.

More than 25 percent of Upper Darby Township's population speaks a language other than English at home, so diversity in the Township's workforce could mean more employees who speak other languages. Almost 60 percent of the Township is non-white, so increased diversity could mean increasing racial diversity in the workforce. While there is no residency requirement to work for the Township, leadership expressed an interest in having more of the Township's neighborhoods represented in the workforce.

Opportunities for improvement here also extend beyond recruiting and hiring. As the Police Superintendent noted, there are ways to improve cultural sensitivity across the workforce and provide a better "customer experience" for Upper Darby's residents. This is also a high priority for the Leisure Services (i.e. Recreation) leadership.

Destination community for residents...with welcoming neighborhoods

When asked to identify priorities that would make Upper Darby's neighborhoods more "welcoming," the Mayor's team mentioned the importance of clean streets with well-maintained signage, street lights, and good shade tree coverage. This matches the priorities expressed by Upper Darby residents five years ago.



In the 2018 Comprehensive Plan, the consultants asked the public which improvements they would like to see in their neighborhoods. The top answer was more street lighting, and second was “more street trees and landscaping.”⁶

Tree coverage not only makes neighborhoods more visually appealing, it can also make them safer by providing a security barrier between pedestrians and vehicles. It encourages lingering along a commercial corridor as the trees lining the street provide shade and coolness in the summer. Beyond comfort and direct protection from the road, research shows that tree coverage in urban areas has many health benefits, including lower rates of obesity and better social cohesion.⁷

A 2021 study found that tree cover is usually inequitably distributed across urbanized areas.⁸ On average, low-income areas in US urbanized areas in the Northeast have 30 percent less tree coverage, which makes them 4 degrees Celsius hotter than high-income blocks. The study also found that the larger the proportion of non-Hispanic white population, the more tree cover an area had.

One Upper Darby team member noted that, when the Township makes a concentrated effort to clean public spaces and repair public amenities like bent or missing traffic signs, the residents respond better to code enforcement or even act on their own to clean their properties. Some neighborhoods have many rental units (44 percent of housing in the Township is renter occupied)⁹, and there are concerns about an out-of-town property owner not responding to cleanliness or safety concerns.

We also discussed the need to diversify the housing stock to retain Upper Darby residents who currently live in single-family homes like those in Drexel Hill and want to “downsize” to a multi-family residence with less maintenance work. Creating neighborhoods that are walkable, take advantage of the easy access to public transit, or have an attractive mix of residential, retail, and commercial uses were also identified as opportunities. Assuming there is adequate market demand to build and sell this type of housing and mixed-use development, there could still be obstacles related to lack of plots available to develop it. Retrofitting an existing structure is possible – and almost certainly a necessity in Upper Darby – but it is more expensive than building on a vacant lot.

Destination community for residents and businesses, with thriving business districts

The phrase “destination community” is intentional because Township leaders believe that Upper Darby’s competitive advantage relative to its Delaware County neighbors comes from providing a unique, attractive, and enjoyable destination for retail, dining, and other recreational experience that compare favorably to mall, big box store, or online shopping experience. The neighborhood around the Tower Theater at 69th and Ludlow is the most obvious example, and Township leaders believe there are other opportunities to create similar clusters of complementary businesses.

One major obstacle to creating thriving business districts are the vacant, blighted, and underutilized lots that the 2018 Comprehensive Plan calls “gray infrastructure.” That Plan cites the need to redevelop these sites and the barriers to doing so. For example, some sites need environmental cleanup, a declaration that the site is blighted or abandoned, or significant structural additions.

The negative economic consequences of blight are clear, for the other property owners in those neighborhoods and Township government itself. The Township’s only major source of local revenue is the real estate tax. Falling assessed values generate less revenue and properties that fall into the tax lien process generate less revenue as they work through the process that can take up to three years. Urban

⁶ Upper Darby Comprehensive Plan 2018. Imagine Upper Darby. Page 78. <https://www.upperdarby.org/ComprehensivePlan>

⁷ Ulmer, J.M. et al. (2016). Multiple health benefits of urban tree canopy: The mountain evidence for a green prescription. *Health & Place*. 42: 54-62. <https://www.fs.usda.gov/research/treesearch/54105>

⁸ McDonald, R. et al. (2021). The tree cover and temperature disparity in US urbanized areas: Quantifying the association with income across 5,723 communities. *PLoS One* 16(4). <https://doi.org/10.1371/journal.pone.0249715>

⁹ Census Bureau, American Communities Survey, 5-year Estimates, 2021.



blight is also correlated with crime and overall disinvestment¹⁰, both of which cut against the vision of having welcoming neighborhoods and thriving business districts.

The Township and department leaders also cited the unique challenges associated with hosting SEPTA's 69th Street Transportation Center. Located at 6901 Market Street, the Center is one of the region's largest transportation hubs. It connects SEPTA's trains, buses, and trolley services that bring thousands of non-residents into Upper Darby every day. Between 2016 and 2021, commuting by rail has increased by 61 percent among Upper Darby residents.¹¹ But the officials with whom we spoke cited concerns related to the facility's cleanliness and maintenance and the large number of police calls generated at the site.

The Township itself does not own the Transportation Center. SEPTA is responsible for the cleanliness of its property, but the Township wants to partner with SEPTA to ensure maintenance of surrounding areas. Ultimately, the 69th Street commercial area could be a thriving business district that truly makes Upper Darby a destination community within the Greater Philadelphia region.

Moving from mission to management

As noted earlier, the mission statement provided to us at the start of this engagement is aspirational. It states that Upper Darby should be:

A world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

To achieve those aspirations, Township leaders need to identify partners in the private sector, community organizations and other levels of government who can help advance this mission. Township government on its own will not single handedly create “welcoming neighborhoods” or “thriving business districts”. Even creating a “vibrant public space,” like the Township’s new recreation center, has been a joint effort that is partially grant funded by the Commonwealth’s Redevelopment Assistance Capital Program (RACP).

For these aspirations to be meaningful, the Township also needs to make an honest assessment of the major obstacles to advancing that mission; respond to those obstacles with actionable, prioritized goals; and then identify a manageable number of strategies that the Township government itself can implement to advance the mission.

The rest of this Plan recommends strategies to overcome the financial obstacles we identified in our analysis, especially those described in the previous chapter.

¹⁰ Bieretz, B., and Schilling, J. (July 2019). *Pay for success and blighted properties. Insights and opportunities for funding vacant property reclamation and neighborhood stabilization.* Urban Institute.

https://www.urban.org/sites/default/files/publication/100464/pfs_and_blighted_properties_0.pdf

¹¹ Census Bureau, American Communities Survey, 5-year Estimates, 2016 - 2021



Strengthening Financial Management

This Plan starts with a proposed mission statement for Township government that does not explicitly mention better financial performance as a goal, but improvement in this area is essential to all other goals.

To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

Township government cannot provide world class municipal services or reinvest in the community unless it addresses the structural deficit described in the Financial Condition Assessment. The Township needs better financial performance – reversing the trend of recurring deficits, rebuilding depleted reserves, funding more capital improvements. It also needs stronger financial *management* – the processes, tools, and policies that Upper Darby uses to manage and allocate limited resources across a changing set of competing priorities that will always surpass the amount of money available to fund them. The following table demonstrates how improvement in this area ties back to the mission statement.

Mission (Statement of Purpose)	<i>A world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community</i>	
Mission Statement Components	Provide quality municipal services...	Have welcoming neighborhoods and public spaces...
Obstacles (What prevents us from fulfilling our mission)	Recurring deficits and declining reserves undercut Township's ability to sustain current level of service	Difficulty planning for and funding investments
Goals (How we will overcome the obstacles)	Close the structural deficit by 20XX Rebuild reserves to \$X million Build capacity to make informed decisions and manage resources	Create a Capital Improvement Plan Budget
Strategies (Specific actions for specific departments)	Increase revenues or mitigate spending growth to close deficit (multiple) Set a fund balance target Replace financial management system	Conduct asset condition assessment (CB01) Develop a capital improvement plan document and process (CB02)

During the departmental interviews, Township managers frequently cited the need to repair or replace facilities that are over or close to 100 years old, vehicles that are past their useful life, and outdated financial management software. Public safety leadership cited the value of potentially increasing staff so there is more coverage available consistently throughout the week and across the community. Council members have also talked about the value of these kinds of investments.



While Upper Darby has many competing needs, its resources to meet these needs on a recurring basis – so excluding the short-term funding provided by the federal stimulus legislation – are limited. The baseline projection described in the Financial Condition Assessment shows a multi-million-dollar deficit *without* additional investments, other than annual across-the-board wage increases for existing employees.

Upper Darby’s leaders and residents will have to make hard decisions to close the structural deficit and position the Township to “reinvest in and revitalize our community.” The Township will have to bring its budget into structural balance by increasing revenues or decreasing expenditures and then go even further in those directions to fund a capital budget or hire more public safety staff, if those are truly priorities. Stronger financial management will empower the Township to make those decisions and then execute them effectively.

Initiatives

FM01	Set deficit reduction targets and monitor progress by updating the baseline projection
Responsible parties	Mayor; Council; Finance Department

The Financial Condition Assessment describes two negative trends that the Township needs to address to advance any mission statement or even just sustain the current level of services.

- The Township had General Fund deficits in four of the last five years reviewed and depleted its reserves to \$2.2 million in unassigned fund balance and \$5.6 million in cash at the end of 2020.
- Even with modest growth in spending on employee compensation (1.6 percent annual growth from 2017 – 2021), total expenditures still grew faster than total revenues.

The baseline projection shows that, absent corrective action, both trends would worsen and eventually Upper Darby will exhaust its reserves.

The 2021 audit showed Upper Darby Township’s unassigned fund balance had shrunk to \$130,000. At the time of analysis, the Township has not released its 2022 audit that will show how financial reserves have changed since then, however based on conversations with the current Finance Director, the 2022 audit should show some rebound because of temporary support that the federal stimulus funding provides.

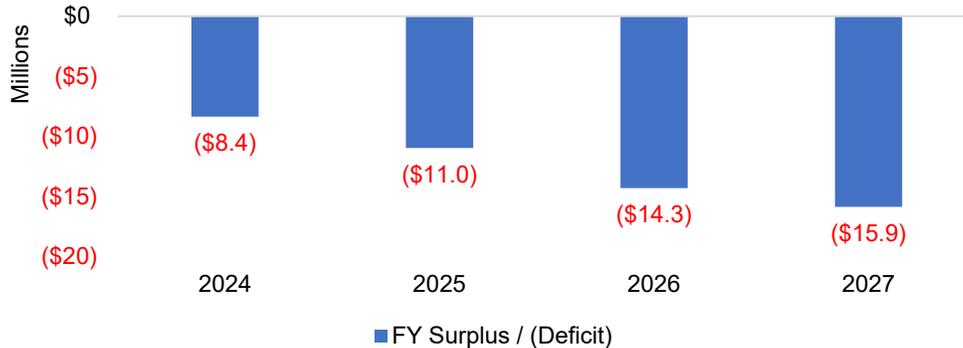
Later this year the Township will decide whether to lean on the temporary federal stimulus funding again to balance its 2024 budget. The Township used \$6 million from its American Rescue Plan Act (ARPA) allocation to fund operations in 2022 and expects to use another \$2.5 million for that purpose in 2023. While the Township could use ARPA funding one more time in the 2024 budget, the federal guidelines prohibit the Township from doing so after 2024, and we advise against continual reliance on a temporary solution to a recurring problem.¹

The projected deficits in the baseline projection (\$11.0 million - \$16 million after 2024) are large relative to the reported levels of cash reserves (\$0.1 million in unassigned fund balance, \$1.5 million in cash at the end of 2021), so the Township should act with some urgency and specificity to close its deficit.

¹ Initiative CB01 describes our recommendation for how the Township should use the bulk of its remaining, unassigned federal stimulus funding.



Baseline Projection, 2024 – 2027



Mayor and Council should collaboratively set a target to reduce the 2025 projected deficit by a specific amount (\$X million or X percent of the total) during the remainder of 2023 and the 2024 budget process. While the Township will also need to balance its budget for 2024, focusing on the 2025 deficit will push the Township to prioritize actions with a recurring financial impact, and not lean as heavily on temporary fixes like ARPA funding.

The Township Finance Department should update the baseline projection presented in the Financial Condition Assessment twice during 2023:

- Midway through 2023 when preliminary 2022 trial balance is compiled
- During the 2024 budget process that will occur this Fall

The mid-year update will provide clarity on whether the Township’s string of deficits continued beyond 2021 and how the reserve levels have changed since 2021. The mid-year update will tell Upper Darby’s leaders whether they can use multiple years to close the remaining deficit or have to act more quickly. That mid-year update will also inform the timing for making of the one of the biggest decisions confronting Upper Darby – will the Township implement an earned income tax on its residents and commuters. That initiative alone would cover a large part of the projected deficit, but the concept has been discussed previously without action so this Plan does not assume it will occur.²

The update during the 2024 budget process will tell Upper Darby’s leaders if they are taking enough action fast enough to close the structural deficit.

Going forward, the Township should update the baseline projection midway through each year and during the annual budget process, so that the community’s leaders can use the projection to make informed decisions on staffing, debt issuances, collective bargaining, and other processes that impact Upper Darby’s financial performance for more than one year.

FM02	Rebuild reserves and adopt a fund balance policy
Responsible parties	Mayor; Council; Finance Department

Upper Darby government needs enough financial reserves to handle unexpected shortfalls, cover emergency expenditures, cushion the organization and taxpayers against the shock of economic downturns, and limit short-term borrowing to fund basic operations. Fund balance is one of the primary

² Please see the Revenue Chapter for more discussion of the EIT.



ways to measure a government’s financial reserves in a way that is more comprehensive than just how much cash the government has in the bank.

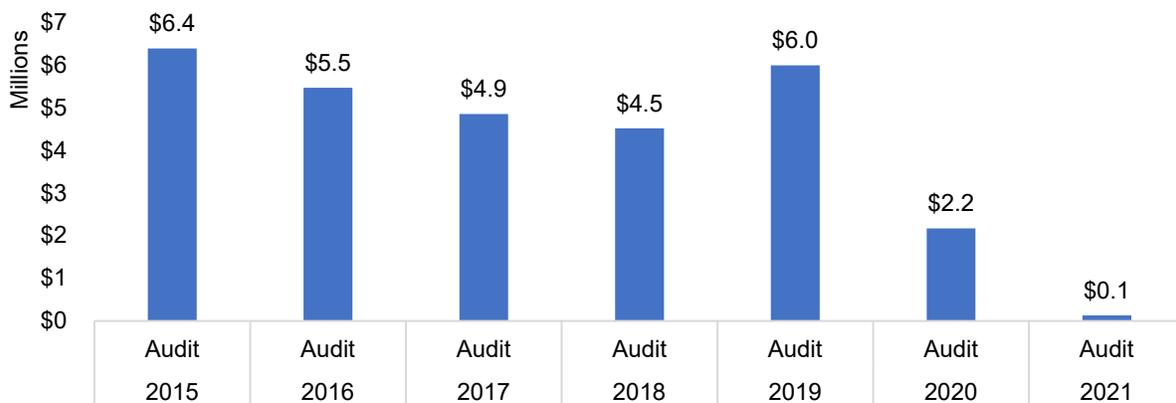
Fund balance accounts for assets, such as accounts receivable or grant reimbursements, that are not immediately available but should be received soon enough to meet current year obligations. Fund balance also accounts for liabilities that are not immediately obvious on a cash flow report, like as accounts payable, accrued payroll costs, and money owed to other funds. The unassigned portion of the fund balance is the amount that the government has the most flexibility to use as needed.

How much a government should hold in financial reserves varies according to several factors, including the size and financial condition of the government. Governments with histories of financial distress should keep a larger proportion in reserve than larger governments or those with a long-running history of financial stability. Recognizing this variability, the Government Finance Officers Association (GFOA) provides a starting point for setting the appropriate level of reserves:

"GFOA recommends, at a minimum, that general purpose governments, regardless of size maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures³."

By any standard, Upper Darby’s financial reserves are too low. Audits show that the Township’s unassigned fund balance was cut by more than half during the years reviewed in our analysis. Even at its recent peak of \$6.0 million, the unassigned fund balance was 7.6 percent of expenditures, well below the GFOA recommended minimum. Upper Darby’s 2022 budget totaled \$80.5 million, meaning it would need to keep about \$13 million in its reserves to follow the GFOA guidelines.

Unassigned Fund Balance 2017 – 2021



Reserve levels also are an important factor in the Township’s credit rating, which in turn impacts the cost at which the Township borrows money. In July 2022, S&P Global Ratings lowered Upper Darby Township’s General Obligation bond rating from A+ to A and cited low levels of reserves as one of the reasons for the downgrade.⁴

Upper Darby’s Mayor and Council should set a specific fund balance target and then work toward that target over the course of this Plan. The target can be tiered to account for a gradual rebuild (\$X million/X percent of expenditures in 2024; \$Y million/Y percent of expenditures in 2025) since the Township is balancing several demands other than rebuilding its reserves.

³ GFOA Best Practices: Fund balance guidelines for the General Fund. Available online at <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund>

⁴ The credit rating has since been withdrawn entirely until the 2021 audit is complete.



The Township should also adopt a fund balance policy that is a more formal statement of how much the Township will hold as a minimum amount, whether it will be held in separate “stabilization” or “rainy day” funds, and under what circumstances fund balance may be used.

FM03	Budget on a position-by-position basis
Responsible parties	City Administrator, Finance Department

While developing the Financial Condition Assessment, PFM analyzed the Township’s expenditure trends and found meaningful variances between what the Township budgeted and what the Township actually spent from 2017 – 2020. For example, police officer cash compensation grew by 2.6 percent from 2017 to 2020 and then dropped in 2021 due to higher-ranking officer retirements. The 2022 budget assumed another 3.6 percent decrease in cash compensation despite not making headcount changes, with the reason being that turnover-related savings would cut spending (a senior employee with a relatively high salary is replaced by a junior employee with relatively low salary).

Police Officer Cash Compensation, 2017 – 2022



While the explanation was reasonable, the Township did not have the data to show how much turnover would have to occur to achieve the savings assumed in the budget because the Township did not budget by position.

In a position-specific budget, the Township starts with the list of positions and the salary for each one in each department and then projects how they would change in the next year. Each department’s salary allocation is the sum of salaries for the individual positions in that department, plus the assumed changes⁵. This is more work, but it is also more accurate and transparent than making incremental adjustments to the department’s 2023 allocation for salaries, which may be higher or lower than needed to actually fund the department.

Accuracy in this area is especially important because personnel costs are local government’s largest spending category and salaries are the largest component of that category. Budgeting by position will help the Township avoid mistakes such as double-counting or undercounting a position that has moved from one department to another. Budgeting by position will also show the Township whether turnover is likely to produce savings (as assumed in the 2022 budget) or just offsets the salary growth that more junior employees get when they receive tenure-based step increases early in their career.

⁵ Some communities go even farther and show the individual employees funded in the budget, but this is not necessary. Budgets allocate money to fund positions, not the specific individuals who happen to fill the position.



Position-specific budgeting also improves transparency for residents and other decision makers. Stating that a government spends \$X million on police officer salaries is less meaningful than stating a government spends \$X million on salaries for X police captains, Y police sergeants and Z patrolmen. The latter description informs discussion about the number of people at each position in the department, how that has changed over time, or whether it should change again to improve public safety. It also makes it easier to discuss how the Township allocates its limited resources (dollars and people) across all departments.

The Township should include position detail in its 2024 department budgets.

FM04	Upgrade financial systems and improve data management practices
Responsible parties	City Administrator; Finance Department; other departments for relevant work processes

A key component of financial management is producing timely, accurate reports, and a modern financial accounting system will enable Township staff to do this in-house as needed.

At the beginning of our process, Upper Darby Township was using an antiquated AS400 system to manage its financial data. We requested financial results from the past five years for the financial condition assessment. The Township had its contracted financial management firm produce paper-copy green bar reports that our team transcribed into Excel. Some departments did not have line-by-line detail available for every year.⁶

Good technology is integral to improvement in this area, but new software alone may not cure all ills in this area. Employee training on the new system is important to get the most value of that system and prevent staff from using their own internally created, disconnected, or paper-based tools to manage data and execute processes outside of the new software. Starting at the top of the organization, Township staff must commit to thoughtful data collection, timely data entry, and effective internal controls so that there is accountability for providing accurate data in the financial, human resources, and other processes.

Near the end of our process, Township leaders reported that they had successfully replaced AS400 with OpenGov software. We offer the following questions to gauge whether any additional work remains:

- Are any processes (or parts of processes) related to financial management still executed outside of the new system? Depending on the software purchased, this could include parts of the process handled by staff outside the finance department (e.g., someone in public works requests a purchase order to buy materials; someone in the police department checks spending relative to budget)
- Can the Township produce a meaningful budget to actual report⁷ on its revenue collections and expenditures incurred for the last month, quarter or year-to-date?
- Can the Township produce accurate reports that show the number of budgeted and filled positions by department?
- Are all department leaders who are responsible for managing their expenditures relative to budget able to access the system and easily determine the amount the spent and balance available for the rest of the year?

⁶ These holes were mostly in the Township's smaller departments and did not have a material impact on our analysis, but the absence of historical data is noteworthy.

⁷ We suggest the budget-to-actual and headcount reports as examples of commonly used management tools. The Township's elected and appointed leaders could request other reports to help manage daily operations, inform policy and budgetary decisions, and communicate the Township's financial performance to Upper Darby's residents.



If the Township has completed this phase of the improvements, there will likely be other opportunities through Township government to use new technology to improve efficiency. For example, the Fire and Police Departments have their own payroll system, and the Fire Department assigns one of its firefighters to enter data that feeds into the payroll process.

FM05	Hire a full-time, in-house Finance Director
Responsible parties	Mayor, Council

According to the Township’s Administrative Code,⁸ the Chief Administrative officer is responsible for:

- Maintaining the accounting system and accounting records
- Maintaining budgetary records and ensuring expenditures comply with the adopted budget
- Purchasing supplies and equipment
- Maintaining personnel files, records, job descriptions and pay scales

The Administrative Code also establishes Upper Darby’s Department of Finance:

The Department of Finance shall be responsible for the administration of activities pertaining to the expenditure, accounting, investment, custody and control of municipal funds and assets under the direction of the Chief Administrative Officer.

*The Department of Finance shall be headed by a Director, who shall be responsible to the Mayor and the Chief Administrative Officer for the performance of the function of the Department.*⁹

The Finance Director’s duties include accounting and financial report preparation; managing all fiscal transactions; disbursement of all payments; depositing and investing funds; leasing, renting, or selling surplus property; helping the CAO administer purchasing; and collecting the largest taxes, sewer, and rubbish fees¹⁰. The Township previously contracted with a public accounting firm that assigned a Certified Public Accountant (CPA) to serve as Upper Darby’s Finance Director, and that arrangement ended during 2023.

By population, Upper Darby is one of the largest municipalities in Pennsylvania. The organization has a budget of \$91.3 million across all funds¹¹. As described above and throughout this Plan, the Township needs to improve its financial performance -- reverse its trends of operating deficits, rebuild its reserves, and identify funding for capital projects like repairing its facilities and replacing vehicles. From a financial management perspective, the Township should improve its budget document by adding position detail and develop a multi-year capital improvement plan.

While the CPA firm is a valuable resource to Upper Darby, especially during the annual budget process, the workload is large enough and critical enough to the organization that the Township should bring these functions inhouse.

We recommend that the Township hire a full-time employee to serve as its Finance Director in support of the CAO. The Finance Director should be responsible for the full range of financial management activities,

⁸ Administrative Code, Article V, Section 504.

⁹ Administrative Code, Article VII, Section 7-15.

¹⁰ Finance is responsible for collecting the business privilege tax, mercantile tile, local services tax, and the real estate tax. County government collects the real estate transfer tax.

¹¹ The Township had \$91.3 million in expenditures across all funds in 2020.



meaning the position is distinct from other department managers who oversee parts of the process (e.g., Controller who oversees accounting).

Alternatively, the Township could appoint a CAO whose expertise is financial management and then assign a deputy CAO¹² to help oversee this area. In this case, the Township should have a Deputy focused exclusively on financial management, so the CAO can spend time in other areas. The CAO's range of duties covers many areas other than financial management since the position holder is responsible for "supervising and directing such departments, agencies, and activities as delegated to (him or her) by the Mayor." Whatever the arrangement, the Township should have one position inhouse other than the CAO assigned exclusively to financial management.

Adding this position would likely add \$150,000 to \$200,000 with the full cost of employee compensation, including benefits and retirement plan contributions. But the person who takes the position will be responsible for playing a leadership role in managing \$90 *million*, making this a very reasonable investment.

The Township recently created the full-time Controller position to help manage accounting, and that is a very good addition. Strong accounting is fundamental to tracking and managing all financial activity and communicating financial performance for decision making and other purposes. The Controller does not have any staff, though she does use an external accounting firm for support as needed. Given the government's size, the Township should consider adding at least one more full-time accountant in support of the Controller for workload distribution and to provide coverage in case the Controller is unavailable.

¹² Under the structure set by the Township's administrative code, we assume the Deputy CAO would also be Finance Director.



Revenue Opportunities

According to the proposed mission statement, Township government should provide “world class” municipal services to help make Upper Darby a more attractive place to live, work and visit:

To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community (emphasis added)

To become a world class provider of municipal services and develop welcoming neighborhoods, thriving business districts, and vibrant public spaces as outlined in its mission statement, Upper Darby Township government must generate enough revenue to fund those services and initiatives that support these goals. As discussed in the Financial Condition Assessment chapter, Upper Darby Township’s revenue has fallen short of expenses every year for the past five years. If the Township wants to work towards its mission statement, it will need to sustain the current level of services and, in some cases, also make strategic investments beyond the status quo.

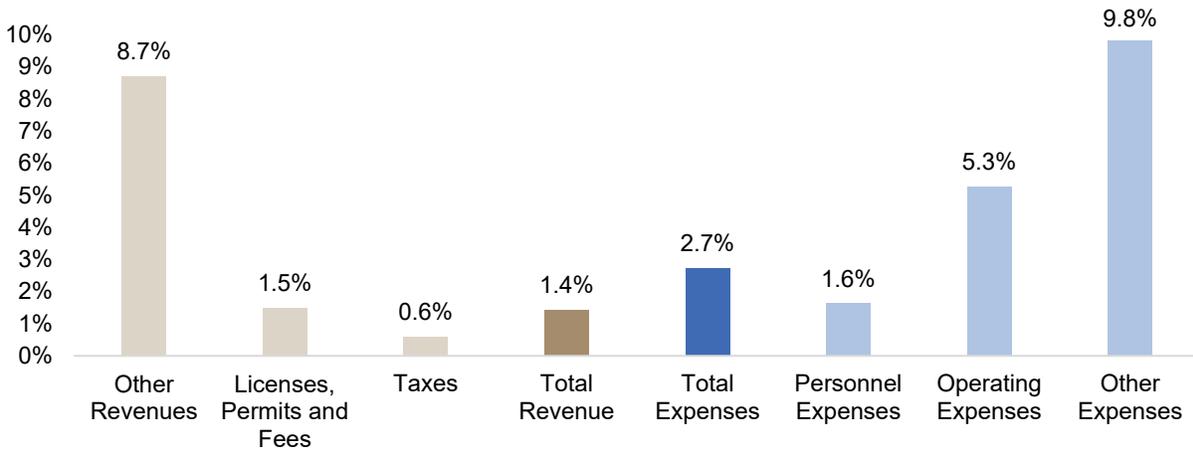
Mission	<i>A world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community</i>	
Mission Statement Components	Provide quality municipal services...	Have welcoming neighborhoods and public spaces...
Obstacles	Recurring deficits and declining reserves undercut Township’s ability to sustain current level of service	Difficulty planning for and funding investments
Goals	Close structural deficits to ensure sustainability of current services	Create and fund a Capital Improvement Plan and Budget
Strategies	Generate more and faster-growing revenues	Increase revenues to fund initiatives that will foster more welcoming neighborhoods and thriving business districts

To close the multi-million-dollar deficits described in the Financial Condition Assessment, Township government will need to address both sides of structural imbalance. The Managing Workforce Costs chapter provides initiatives to control growth in the Township’s largest expenditure category, which had modest growth during the period reviewed (2017-2021). Even with this modest expenditure growth, Upper Darby Township’s revenue did not keep pace. Deficits grew from \$311,000 in 2017 to \$4.4 million in 2021, drawing down the Township’s reserves.

The chart below illustrates the Township’s structural problem. Upper Darby’s total revenue has grown by just 1.4 percent from 2017 to 2021 driven by slow-growing tax revenue. Meanwhile, expenditures have grown at a pace of 2.7 percent annually, and the pace is expected to accelerate in the baseline projection.



Historical Growth Rates, 2017 – 2021¹



To forge a sustainable path forward, the Township will need to explore opportunities to generate more and faster-growing revenue and create structurally balanced budgets. This is not just an accounting exercise. Having a structurally balanced budget where revenues cover expenditures on a recurring basis will enable Township government to continue providing services and actively work towards its mission. Failure to balance the budget will have the opposite impact: if core services atrophy, proactive investments are shuttered, and government is forced to focus more on its own financial survival than on serving its residents and making strategic investments.

Initiatives

RV01	Start levying an earned income tax (EIT)
Responsible parties	Mayor, Council, Finance

Upper Darby Township relies primarily on one relatively flat revenue source – its real estate (or property) tax – to generate most of its operating revenue. Slow-growing property tax revenue is common for Pennsylvania municipalities; however, Upper Darby is more reliant on this source of revenue than other municipalities because the Township does not currently levy an earned income tax (EIT).

Pennsylvania law authorizes Upper Darby to tax the earnings of residents, regardless of where they work (resident EIT), and tax the earnings of non-residents who work in Upper Darby (non-resident or commuter EIT). Since Upper Darby is a Home Rule municipality, it can tax its residents at any rate, though the most common resident EIT is 1.0 percent, split between the local government and school district. Pennsylvania law caps Upper Darby’s non-resident EIT rate at 1.0 percent and prohibits the Township from taxing non-residents at a higher rate than residents.

Upper Darby is the only municipality of its size in Pennsylvania that does not use these taxes. While it is a township, Upper Darby is one of the largest municipalities in the Commonwealth by population, ahead of the Cities of Scranton and Bethlehem. The municipalities that are closest to Upper Darby in population and their EIT rates are shown below.

¹ Excludes one-time revenues and expenditures from sewer fund transfers and proceeds from and repayment of tax revenue anticipation notes (TRAN).



Peer Municipalities by Population and Resident EIT Rate

	Population ²	Municipal EIT	School District EIT	Total Resident EIT
Erie City	96,616	1.2%	0.5%	1.7%
Reading City	88,333	2.1%	1.5%	3.6%
Upper Darby Township	82,876	0.0%	0.0%	0.0%
Scranton City	76,997	2.4%	1.0%	3.4%
Bethlehem City	55,690	0.5%	0.5%	1.0%

Some of the larger townships in Delaware County, like Haverford and Springfield, do not use the EIT, but Upper Darby differs from its neighbors in fundamental ways. Upper Darby has more residents by a wide margin and is much more densely populated with almost 11,000 people per square miles. The Township's population density more closely resembles Philadelphia (11,937) or Reading (9,663)³, and that impacts how Upper Darby staffs core services like fire suppression, code enforcement, and street maintenance.

To serve the dense population center, Upper Darby Township employs 134 full-time police officers and has a combination fire department with 55 full-time career firefighters. Except for the City of Chester⁴, the other Delaware County municipalities have far fewer police officers and volunteer fire departments. The table below compares Upper Darby to other Delaware County townships, some of which levy an earned income tax.

Delaware County Township Comparison

Township	Population	Resident EIT	Non-Resident EIT	Police Officers	Fire department
Aston	16,791	1.00%	1.00%	20 FT, 7 PT	Volunteer
Darby	9,219	0.00%	0.00%	15 FT, 5 PT	Volunteer
Haverford	50,431	0.00%	0.00%	70 FT	Volunteer
Lower Chichester	3,425	1.00%	1.00%	5 FT, 8 PT	Volunteer
Marple	24,214	0.00%	0.00%	32 FT	Volunteer
Nether Providence	14,525	0.00%	0.00%	16 FT	Volunteer
Radnor	33,228	0.00%	0.00%	49 FT	Volunteer
Ridley	31,053	0.00%	0.00%	31 FT	Volunteer
Springfield	25,070	0.00%	0.00%	34 FT	Volunteer
Tinicum	3,983	1.00%	1.00%	16 FT	Volunteer
Upper Chichester	16,898	1.00%	1.00%	23 FT, 3 PT	Volunteer
Upper Darby	85,681	0.00%	0.00%	134 FT	Combination

Looking beyond Delaware County, most Pennsylvania municipalities and school districts levy an earned income tax. According to the Commonwealth's Taxation Manual,⁵ **about ninety-five percent of Pennsylvania's municipalities levied the EIT in 2013, along with hundreds of school districts.** The number of communities using the tax may be even higher now.

Upper Darby Township should follow their example and levy an earned income tax on its residents and non-residents who work in the Township to address its revenue shortfalls, broaden its tax base, and pay for the services and investment that it needs to advance its mission.

² Census Bureau, American Communities Survey, 5-year Estimates 2020

³ Census Bureau, 2020 Decennial Census, Population per square mile.

⁴ Chester's 2023 budget has 93 police officer positions (excluding command staff), 63 firefighter positions (excluding command staff), and a 3.75 percent earned income tax on residents.

⁵ Per the 2022 DCED Taxation Manual, "In 2013, either municipal or school earned income taxes were levied everywhere in Pennsylvania except for 145 municipalities, or 5 percent of all municipalities



How would levying an EIT impact residents and non-residents?

If the Township enacted a 1.0 percent earned income tax, Upper Darby residents, regardless of where they work, and non-residents commuting to Upper Darby would be subject to the tax. If a commuter's home municipality levies a resident EIT, then the non-resident EIT revenue would be remitted to the home municipality first. For example, if a commuter's home municipality levies a 0.5 percent EIT, 0.5 percent would be remitted to the home municipality and the other 0.5 percent would be remitted to Upper Darby.

To help understand the impact on Upper Darby's residents and commuters, below are four taxpayer profiles with earnings over \$12,000.⁶

- **Upper Darby residents who work in Upper Darby**

Residents who live and work in Upper Darby do not currently pay the earned income tax so they would see an increase in their annual tax burden of 1.0 percent of their gross earnings. Census data from 2020 shows just 8.1 percent (or about 3,000 residents) both live and work in Upper Darby, so this is a relatively small portion of the total population.⁷

Using the median household income of \$62,000 as a proxy for taxable wages, we estimate that the average impact on each household would be about \$620 per year. Census data shows that residents who live and work in Upper Darby tend to have slightly lower earnings than residents who commute elsewhere for work, so the average dollar amount could be less than \$620.⁸

- **Upper Darby residents who work in another municipality that levies an EIT**

Residents who work in other municipalities that levy a non-resident EIT currently pay that tax wherever they work. For example, if an Upper Darby resident works in the City of Chester, they currently pay 2.0 percent of their gross earnings to Chester. If Upper Darby levied a 1.0 percent tax, the resident would pay 1.0 percent EIT to the Township and 1.0 percent to the City of Chester. There would be no change in this resident's total tax burden, but the amount paid would be split between the municipalities. ***In this case, there is a tax shift, but not a tax increase.***

Keystone Collections Group, which collects EIT on behalf of all taxing bodies in Bucks, Chester, and Delaware counties, provided data showing that 8,500 Upper Darby residents paid a total of \$2.4 million in non-resident EIT to municipalities in these counties in 2021⁹. Most of this revenue came from residents who work in municipalities with a non-resident EIT of at least 1.0 percent. About 1,400 of these residents (or 17 percent) paid less than 1.0 percent in non-resident EIT and would see an increase in their total tax burden if the Township enacted a 1.0 percent tax.

There is one important exception to this arrangement. Upper Darby residents who work in the City of Philadelphia would continue to pay that City's non-resident EIT (currently 3.44 percent), without any revenue coming back to the Township, even if Upper Darby had a resident EIT. They would see no change in their tax burden, and Upper Darby would not collect revenue from these residents.

⁶ DCED Taxation Manual 2022, p. 29. Municipalities and school districts levying earned income taxes may exempt persons whose income from all sources is less than \$12,000 per year from the earned income tax.

⁷ Census Bureau, Inflow/Outflow Analysis in 2020 by Primary Jobs.

⁸ Census Bureau, Inflow/Outflow Analysis in 2020 by Primary Jobs. Census Data shows that about 36 percent of residents who work in the Township earn more than \$40,000 per year compared to over 50 percent of residents who commute out of the Township.

⁹ Keystone does not collect EIT for Montgomery County taxing bodies, so the numbers reported here excludes money paid by Upper Darby residents to those municipalities.



- **Upper Darby residents who work in another municipality that does not levy an EIT**

Residents who work in municipalities that do not currently levy the earned income tax (such as Haverford or Springfield) would see an increase in their tax burden of 1.0 percent of their gross earnings, just like residents who work in Upper Darby.

Keystone's data only accounts for people who already pay the EIT, so it does not show how many Upper Darby residents work in these communities. It may be a relatively small number because most municipalities levy some amount of non-resident EIT. More than 80 percent of the municipalities in Delaware and its neighboring counties (Bucks, Chester, and Montgomery) use the non-resident earned income tax.¹⁰

- **Non-residents of other municipalities who work in Upper Darby**

Non-residents who work in Upper Darby could pay earned income taxes to the Township, depending on whether their home municipality levies a resident EIT. If a commuter's home municipality levies a 0.5 percent tax on its residents, then the commuter would pay an additional 0.5 percent to Upper Darby and have a higher tax burden. If the commuter's home municipality levies an EIT of 1.0 percent or more, there would be no change to their tax bill and Upper Darby would not receive any additional tax revenue. Census data from 2020 shows that there were about 15,000 commuters into Upper Darby that year.¹¹

The table below lists these four profiles and the estimated number of workers who would be impacted by levying a 1.0 percent EIT, according to the 2021 taxpayer data provided by Keystone.

Potential Earned Income Taxpayer Profiles

Residency	Workplace	Current	1% EIT Tax Scenario	Estimated # Workers
Upper Darby	Upper Darby	Do not currently pay any EIT	Would pay 1% of their gross earnings to Upper Darby Township	2,873 ¹²
Upper Darby	Other municipality that levies a 1% EIT	Currently pay % of their gross earnings to other municipalities	No change for taxpayer, but revenue comes to Upper Darby	6,700 ¹³
	Other municipality that levies an EIT <1%		Tax rate would increase to 1% and all revenue would come to Upper Darby	1,432
	Other municipality that levies an EIT >1% ¹⁴		No change for taxpayer, but revenue from first 1% comes to Upper Darby	402
Upper Darby	Other municipality that has no EIT	Do not currently pay any EIT	Would pay 1% of their gross earnings to Upper Darby Township	Unknown

¹⁰ DCED Municipal Statistics Database, Municipal Tax Information 2023.

¹¹ Census Bureau, 2020 Decennial Census, Inflow/Outflow Analysis in 2020 by Primary Jobs.

¹² Census Bureau, 2020 Decennial Census, Inflow/Outflow Analysis in 2020 by Primary Jobs.

¹³ Data for Upper Darby residents who work in other municipalities is from Keystone Collections Group and shows the number of taxpayers who paid non-resident EIT to municipalities in Delaware, Bucks, and Chester counties in 2021.

¹⁴ As noted above, this number does not include Upper Darby residents who work in Philadelphia. They would continue to pay all of their EIT revenue to the City.



Residency	Workplace	Current	1% EIT Tax Scenario	Estimated # Workers
Other municipality	Upper Darby	May pay wage tax to their home municipality	Tax levied between home municipality rate and 1% remitted to Upper Darby - only a change for worker if the old tax rate was < 1%	Unknown

How much revenue would a new EIT generate?

In 2021, Econsult Solutions, Inc. (ESI) estimated how much revenue the Township could collect if it levied the EIT. Using data on population and workplace versus residency from 2018, along with and income data spanning 2013 to 2017, ESI estimated that a 1.0 percent resident EIT and 1.0 percent non-resident EIT would generate approximately \$18.9 million. The report also estimated that about 30 percent of this revenue would come from Upper Darby residents who already pay the tax to other jurisdictions, and another 19 percent would come from non-residents.¹⁵

The ESI report also calculated the potential impact of levying a 0.5 percent EIT because of the possibility that the Upper Darby School District could split resident EIT revenue with the Township. Pennsylvania law requires municipalities to split the first 1.0 percent of the resident EIT with the school district if the district decides to levy the tax.¹⁶ The 2021 ESI report estimated \$9.4 million in potential revenue from a 0.5 percent EIT.¹⁷

From the municipality’s perspective, the appeal of levying an EIT is clear. In either scenario, it would add a substantial amount of revenue and help balance the budget, which had a deficit every year from 2017 through 2021 and will potentially have one again once the temporary support from federal stimulus dollars ends. Depending on the tax rate and the associated revenue generated, it would mitigate the need for future real estate tax increases and it would help the Township afford potential investments, like a more robust capital budget¹⁸ or using full-time career firefighters on the weekends¹⁹.

Unlike the real estate tax base that remains stagnant without a reassessment, the EIT base grows over time, as resident and non-resident taxable wages grow. From 2019 to 2021, the Township’s population grew by 1.3 percent per year, and mean and median household incomes grew by 5.3 and 3.7 percent respectively. The potential revenue from an EIT tax levy would likely be greater in 2023 than what ESI originally estimated in 2021.

Earned Income Tax Base Drivers, 2019 – 2021

	2019	2020	2021	CAGR
Population	82,887	82,876	84,986	1.3%
Median Income	55,908	57,655	61,950	5.3%
Mean Income	75,187	78,025	80,867	3.7%

The non-resident EIT is also one of very few tools available to the Township to substantially broaden its tax base. Since the Township is heavily reliant on the real estate tax, it relies heavily on property owners (residential and commercial) to fund municipal services, like police and fire protection. Commuters who drive into Upper Darby and depend on those services during the workday pay \$1 a week via the local

¹⁵ ESI, 2021 STMP Report p.36.

¹⁶ Per the 2022 DCED Taxation Manual, “Where both municipality and school district levy the tax, the one percent limit must be shared on a 50/50 basis, unless otherwise agreed to by the taxing bodies.” Non-resident EIT revenue is not subject to this same sharing provision.

¹⁷ ESI, 2021 STMP Report p.36.

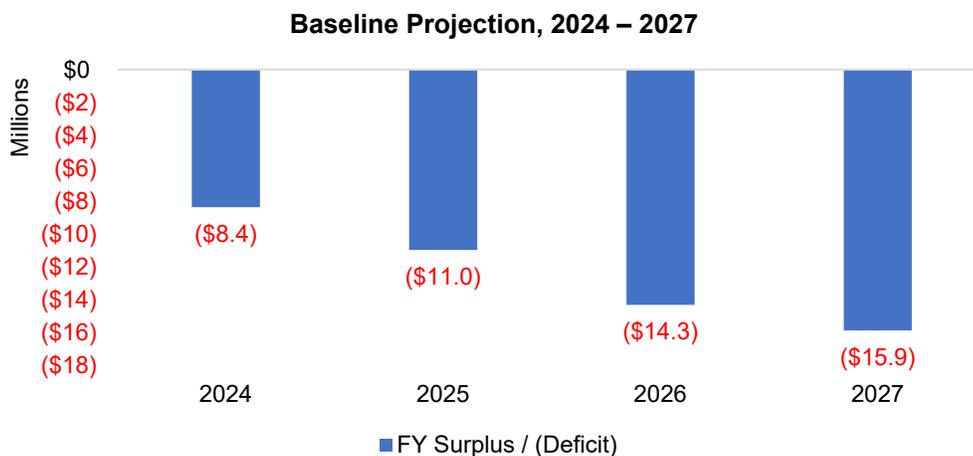
¹⁸ Please see the Improving Infrastructure section for more information.

¹⁹ Please see the Fire Department Staffing section for more information.



services tax. Upper Darby’s renters do not directly pay for those services unless the landlord passes along the Township’s real estate tax as part of their rent.

We recognize that levying a resident and non-resident EIT rate would be a substantial change for the Township and have a meaningful impact on some Upper Darby’s residents, while others would pay the same amount in taxes just to a different municipality. The deficits that the Township ran every year from 2017 through 2021 and those projected in the Financial Condition Assessment are also significant. It is very likely that, without the EIT, residents who own property in Upper Darby will instead pay higher real estate taxes.



The EIT is Upper Darby’s best option to close the deficit because of how much revenue it can generate relatively quickly and because that revenue should naturally grow over time, without further tax increases. There are other options available to close part of the projected deficit, but nothing else has this large an impact on a recurring basis.

With Upper Darby’s reserves nearly exhausted at the end of 2021 and large projected deficits starting next year, it is difficult to envision a path to financial sustainability that does not include the EIT. Even if Upper Darby leaned on temporary federal stimulus funding to balance its budget one more time in 2024 – as it did in 2022 and 2023 – the Township currently stands less than 18 months away from a budget with a projected \$11 million deficit.

Perhaps it is mathematically possible for the Township to find a combination of service cuts (including layoffs in public safety or public works) and real estate tax increases that have the same fiscal impact. Even then, because real estate tax revenues seldom grow absent tax increases, the Township would have to increase real estate tax rates repeatedly to keep the budget in tenuous balance.

If the Township is serious about its mission of providing “world class municipal services” and making any kind of meaningful “reinvestments” in the public infrastructure that its residents and commuters use every day, then it needs to follow the example of 95 percent of Pennsylvania’s other municipalities and use the EIT powers provided to it.

Next step

The Township’s financial situation has deteriorated enough to warrant enacting the resident and non-resident EIT effective January 1, 2024.

Township Council should enact the tax increase as part of the upcoming 2024 budget process. Council would have to pass separate ordinances for the resident EIT and the non-resident EIT. Council can set the resident EIT at any rate since Upper Darby is a Home Rule municipality, though a 1.0 percent resident EIT split evenly with the school district is the most common arrangement. Pennsylvania law prohibits the Township from levying a non-resident EIT rate that is higher than resident rate or levying a non-resident EIT above 1.0 percent.



If the Township decides to use the EIT, we recommend two next steps:

- Township leaders should meet with the Upper Darby School District to see if it intends to split the resident EIT.²⁰ The split does not happen automatically. The School Board would have to take separate action to claim its share. It is important to know if and when the School District will take its portion of the resident EIT since that will impact how much revenue the Township receives.
- The previously cited estimates provided by ESI could be updated, though they provide a solid starting point for considering the fiscal impact of this initiative. ESI’s analysis used data from the LEHD Origin-Destination Employment Statistics (LODES). That data set provides block-by-block detail of where Upper Darby residents work and who commutes into the Township from other municipalities. ESI’s analysis used 2018 data and the most recent data set currently available comes from 2020. In both cases, the data predates the full impact of the pandemic and the large increase in EIT receipts that a lot of communities have seen since 2021. But this would provide a more up-to-date picture of which Upper Darby residents would pay more taxes and which would pay the same amount, but to different places.

Another option is to set the EIT at an initial rate effective January 1, 2024; let Keystone collect more comprehensive, current data on the full tax base; and then recalibrate the tax in 2025 if the EIT rate was too high or too low. This second option has the advantage of generating some revenue while the Township collects information on the tax base.

If the Township acts quickly, it could commission an update to the last set of EIT revenue projections and then use that information to set an initial EIT rate effective January 1, 2024. The guiding principle is that Upper Darby’s leaders should not be paralyzed by imperfect information. The Township’s fiscal condition requires a more timely, decisive response.

RV02	Regularly adjust service fees
Responsible parties	Council; Mayor; Finance; Public Works

Upper Darby Township charges fees for various services like trash and recycling collection, building inspections and permits, and sewage transmission.

Fees allow the Township to connect the cost of providing a service to the person who benefits from that service and facilitate cost recovery. Fee revenues also enable the Township to use its limited tax dollars to provide services where it is much harder to allocate costs and benefits, like police patrol or fire protection.

The Township should regularly evaluate the fees that it charges both to ensure appropriate cost-recovery and avoid large, sporadic increases.

Service fees and related items (e.g. licenses, permits) generate about \$11 million in revenue on average, primarily from solid waste and recycling fees. This revenue increased by 1.5 percent annually from 2017 to 2021, again mostly driven by trash fee increases. The Township also generates about \$7.5 million annually from sewer fees collected in the Sewer Fund. The table below shows the sewer and trash fees from 2017 to 2023. Following several years of no or small increases, the Township increased fees by more than 15 percent in 2020 and 2022 for trash collection and 2023 for sewer usage.

²⁰ We do not recommend that the Township enact a resident EIT rate higher than 1.0 percent at this time but, if that did happen, the School District would only split the first 1.0 percent of the resident EIT. For example, if the Township had a 1.2 percent resident EIT rate, the School District would get 0.5 percent (half of the first 1.0 percent) and the Township the remaining 0.7 percent.



Sewer and Trash Fees, 2017 – 2023

	2017	2018	2019	2020	2021	2022	2023
Sewer Fee	\$205	\$205	\$205	\$215	\$215	\$222	\$260
% Change	N/A	0.0%	0.0%	5.0%	0.0%	3.2%	17.1%
Trash Fee	\$190	\$190	\$190	\$235	\$235	\$280	\$300
% Change	N/A	0.0%	0.0%	23.8%	0.0%	19.1%	7.1%

Increasing fees on a sporadic basis does not work from a financial perspective because the cost of delivering services rises annually while revenue does not, meaning the Township must use tax revenues to subsidize operations until the next big increase. This approach also produces steeper rate increases like those in 2020, 2022, and 2023, which are potentially harder for residents to accommodate than a more predictable pace of smaller increases.

Instead of enacting large increases every few years, the Township should make smaller, regular increases and set a schedule for those increases over the next five years. Even if the Township cannot formally adopt a schedule that sets the rate increases years in advance, it can publish a schedule of likely rate increases to provide more predictability for residents and stability for government finances. In addition to enacting more regular fee increases, the Township should also review its fees and identify any opportunities to revise the rate or structure. When determining whether to revise a fee, the Township should consider three perspectives:

- **Cost recovery:** Is the Township collecting enough revenues to offset the cost of providing the service?
- **Fee comparability:** Is the fee comparable to market rates or rates set by other municipalities?
- **Policy preference:** At what level would a fee discourage compliance or economic growth? Is this an affordable/fair rate for different kinds of residents?

Cost Recovery

The Township operates a solid waste program and charges residential property owners a flat fee to collect trash and recycling. In 2023, the Township increased the fee for solid waste and recycling to \$300 per household. The Township also charges \$10 for scheduled bulk item pickup. Solid waste and recycling fees are the Township's second largest revenue source, now generating over \$6 million a year. This revenue grew at a rate of 5.9 percent from 2017 to 2021 due to fee increases.

In the same period, the cost to provide solid waste collection services grew by 8.5 percent driven by personnel costs and disposal fees that the County charges for landfill use. The projection assumes that these costs will grow even faster as the County continues to raise disposal fees and personnel costs increase. The table below shows revenue that the Township collects from resident fees net the direct costs of trash and recycling collection from 2017 to 2021.

Net Operating Cost of Trash and Recycling Collections, 2017 – 2021

	2017	2018	2019	2020	2021
Trash and Recycling Fee Revenue	5,118,299	5,171,438	5,779,689	5,995,987	6,431,473
Cash compensation + FICA	3,007,126	3,168,778	3,360,209	3,645,218	3,735,817
Refuse Disposal Fees	1,471,360	1,459,409	1,563,281	2,463,460	2,417,030
Other Operating Costs	27,078	43,050	29,092	43,727	47,949
Trash and Recycling Costs	4,505,563	4,671,237	4,952,583	6,152,405	6,200,797
Net Cost Trash and Recycling Collection	612,736	500,201	827,106	(156,418)	230,676



While the prior table suggests the trash and recycling revenues more than cover the cost of services, that could be a function of how the Township records expenses. Some costs directly associated with this service are recorded elsewhere including:

- Health insurance and pension contributions, which are budgeted centrally for all non-public safety employees
- Purchase of sanitation vehicles, which is budgeted in a separate capital fund.

There are also likely overhead costs associated with the trash system, such as the cost of administrative support (HR, payroll) for this function. Refuse fee revenues may now cover the full cost of service because of the 2023 fee increase but, to know for sure, the Township needs a fully tally of all costs associated with the service. The Township should also continually adjust fees as its costs increase.

Fee Comparability

Another perspective for evaluating fees is whether the rate is comparable with other municipalities or the market rate, even if the goal is not cost recovery. Fees that are too high relative to the market may discourage participation, and those that are too low reduce the rate of cost-recovery and increase the subsidy from other sources, like real estate taxes.

For example, the table below compares the cost for building permit fees for construction of a \$50,000 residential project in Upper Darby and several neighboring municipalities. Generally, municipalities base the permit cost on the project cost, ranging from \$20 to \$35 per every \$1,000 of construction cost.

Municipality	Description of fee structure	Est. Cost
Springfield	\$9 surcharge + \$35 per every \$1,000 of construction cost	\$1,759
Ridley	\$30 per \$1,000 of construction cost	\$1,500
Upper Darby	\$35 application fee + \$25 for every \$1,000 of construction cost	\$1,285
Marple	\$25 per \$1,000 of construction cost	\$1,250
Radnor	\$20 per \$1,000 of construction cost	\$1,000
Haverford	\$20 per \$1,000 of construction cost for the first \$10,000, \$15 per \$1,000 thereafter	\$800

Upper Darby Township should regularly compare this and other fees to those of neighboring municipalities to determine if they are charging a fair but competitive amount, relative to the market.

We recommend the Township begin its fee comparability analysis²¹ in licenses and inspections and recreation, which is described more fully in the next initiative.

Policy Preference

Even if the goal of charging a fee is not total cost recovery or comparability, the Township should still evaluate the impact that fee rates and structures have on those who pay them and to determine if they advance (or hinder) policy objectives.

²¹ The Township could use a subsequent phase of funding under the Commonwealth's Strategic Management Planning (STMP) program to complete this analysis.



Upper Darby Township owns the sewer lines that carry wastewater in the Township to sewage treatment facilities. This includes sewage from neighboring communities that travel through the Township's pipes to treatment plants. The Township charges a fee to residents and neighboring municipalities to pay for the repair and upkeep of these lines, as well as the fees charged by sewage plants to treat wastewater.

Every household in Upper Darby, regardless of water usage, pays the same flat rate per year for sewer fees. Businesses also pay this same rate, multiplied by the number of units. A unit is calculated as the amount of water that the business uses each year (e.g. the first 60,000 gallons is considered one unit, from 60,000 to 100,000 gallons is considered two units, and so on).

Sewer System Revenues and Expenditures, 2017 – 2021

	2017	2018	2019	2020	2021
Sewer Use Charge	7,718,692	7,736,213	8,262,329	7,932,986	7,653,850
Reimbursements and Other	1,252,973	1,339,743	1,661,526	1,164,795	1,551,638
Total Sewer System Revenue	8,973,682	9,075,956	9,923,855	9,097,781	9,205,489
Personnel Costs	1,353,769	1,396,548	1,421,474	1,386,241	824,443
Sewer Authority Payments	5,651,282	5,921,678	6,714,581	6,090,578	7,639,389
Other Operating Costs	638,990	732,788	269,032	187,409	242,475
Total Direct Sewer System Costs	7,644,042	8,051,014	8,405,086	7,664,228	8,706,306
Surplus/(Deficit)	1,329,640	1,024,942	1,518,769	1,433,553	499,182

While the table above shows that the sewer system has covered some of its costs over the past five years, the full cost of maintaining the sewer system is not captured here. Some administrative personnel costs, capital expenditures, or repayment of sewer-related debt is shared between different Township functions and not included here. The table also reveals a structural problem – while revenues stay flat because of the fee design and little population growth in the Township, expenditures continue to increase driven by inflation, personnel growth, and fees charged by the sewer authority.

When determining how much to charge residents to use of the sewer system, Upper Darby should consider its policy priorities. Under the current flat fee structure, a retiree who lives alone and uses very little water (and therefore has little impact on the sewer system's capital and maintenance needs) would pay the same annual fee as some businesses using up to 60,000 gallons of water per year. The Township should decide if this meets the administration's policy objectives, or if it should change this structure.

Another way that the Township can cover the cost of maintaining its sewer lines is to charge by usage so that residents and businesses who use the system the most pay more for its upkeep. The Township currently has the information that it needs to bill customers based on how much water they use (and therefore how much wastewater they generate). The company that provides water to Township residents, Aqua, already collects data on how much water is being used by Upper Darby customers and shares this data with the Township to calculate sewer fee bills for businesses who use more than 60,000 gallons of water per year.

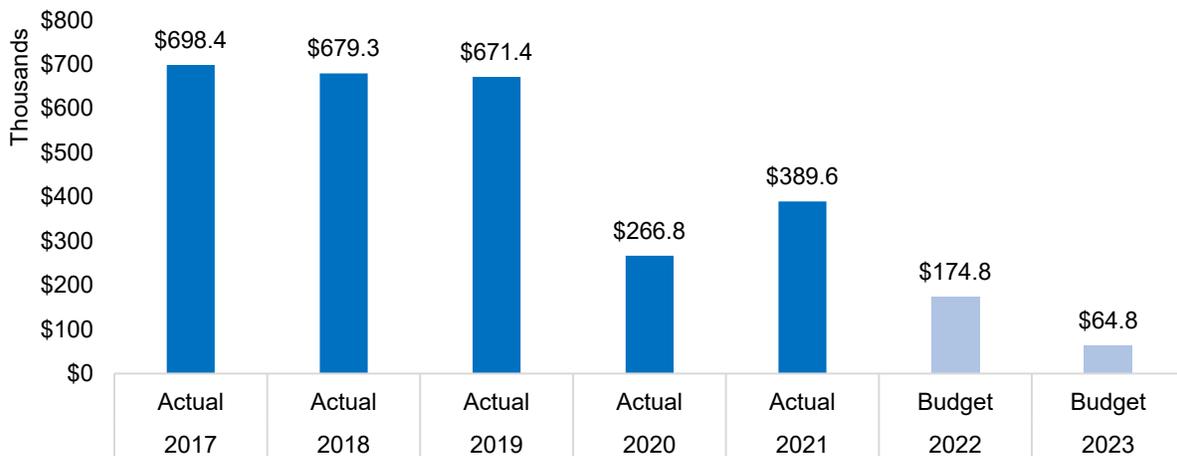
Again, we note that the Township's policy goals may not be to fully recover its costs. For example, it is unlikely that the funding provided by the County Office of Services for the Aging (COSA) covers the full cost of running the Township's senior center at 326 Watkins Avenue. Even if COSA funding covers all programmatic costs, like the homebound meal program, there are still labor and facility costs. Subsidizing services to senior citizens, many of whom are on fixed incomes, is a worthy policy goal. But the Township should understand the full subsidy so it can make informed decisions about programs and facility usage, to ensure the Senior Center is sustainable.



RV03	Recreation revenue opportunities
Responsible parties	Council; Mayor; Finance; Leisure Services

Prior to the pandemic, recreation functions were one of the Township’s largest fee revenue generators. Those revenues understandably dropped in 2020 and 2021, but the 2023 budget target is a fraction of the pre-pandemic total. Unless there is an accounting reason for the drop (i.e., the Township records these revenues in another code), this is an area where the Township has an opportunity to increase revenues without increasing taxes.

Recreation Service Fee Revenues, 2017 – 2023



We recommend the following tactics in this area.

Parks and recreation fees should be adjusted to ensure that revenues at least maintain a consistent level of cost recovery.

If a fee-for-service program generated \$50,000 a year a decade ago and fees have not been adjusted over that period, that program may still generate \$50,000 unless there has been a significant change in the number of people participating in that program. Meanwhile, the cost of providing that service – labor, materials, supplies, even utilities – are almost certainly higher than they were a decade ago.

The Township should review its recreation program fees from a couple perspectives and adjust them:

- How long has it been since the fees were increased?
- How has demand for the program changed?
- What fees do neighboring municipalities provide for these services?
- What fees do other non-governmental providers charge for these services?

The Township may identify some services where it cannot compete with other providers that have advantages that allow them to provide better or equal services at the same or lower cost (larger user base for distributing costs, more modern facilities, more advertising dollars). There may still be good policy reasons to continue the program or provide a subsidy so families can use the programs run by other organizations, as much as resource limitations allow and policy preferences inform.



There may be other instances where the Township identifies gaps in the recreation market, especially since Upper Darby has a uniquely diverse population. In those cases, the Township can partner with other service providers to fill those gaps, improve the quality of life for its residents, and position itself as a “world-class service provider” with uniquely “vibrant public spaces.”

Take advantage of market-based revenue opportunities (MBROs)

MBROs encompass a wide range of activities, from corporate sponsorships to concessions agreements to ballfield signage to naming rights, where the Township can use its facilities and other assets to generate advertising revenue. The Township could take an incremental approach, where it tries the concept at a couple of venues, or it could take a holistic approach where one firm inventories the Township’s assets, provides a menu of options for generating advertising dollars, and then eventually finds suitable advertisers in line with community standards. While Pennsylvania governments do not often try the latter approach, the Town of Cary, North Carolina (Population: 177,000) has a [sponsorship policy](#)²² that shows how the concept can be applied.

Consider leasing facilities to responsible organizations

Local governments often rent recreation facilities or portions of them to outside organizations that are given control over facility usage in return for a rental charge. While facility rental agreements are common, local governments may have a difficult time calculating the exact rent that they should charge to the organizations so that there is not an implicit subsidy. For example, the rent charged to a youth sports league that relies heavily on one facility may not cover the full cost of utilities or wear-and-tear facility maintenance related to that league.

Instead of trying to calculate and then charge back every cost that Township government incurs, Upper Darby could lease the facility to one organization that gains more control over facility usage, in return for taking on all maintenance responsibilities and covering all operating costs at the site. In addition to increasing revenue, this would allow the Township to allocate its staff to other sites where cost recovery is not possible.

Township staff mentioned the Dermond Recreation Area as one potential site for exploring a lease arrangement since the Drexel Hill Little League uses the ballfields at 144 Dermond Avenue for softball and baseball.

²² Available online at <https://www.carync.gov/mayor-council/town-policies/sponsorship-policy>



Managing Workforce Costs

The people who work for Upper Darby Township government are central to the mission statement that guides this Plan.

To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

To provide “world class municipal services,” the organization needs employees who police the streets, fight fires, maintain public spaces, enforce property maintenance standards, and manage public money. Upper Darby will not have “welcoming neighborhoods, thriving business districts, and vibrant public spaces” if it does not have a workforce that is large enough to meet the community’s needs or compensated well enough to retain current employees and attract new ones. Size and compensation aren’t the only variables in effective workforce management. Employees also should be well trained, well managed, and well equipped to do their jobs.

Like most local governments, Upper Darby Township spends most of its budget on employees. In 2022, the Township budgeted \$63.0 million (or about 80 percent of the General Fund budget) for personnel expenditures, including salaries and other types of cash compensation, health benefits for active and retired employees, and the Township’s share of contributions to the employee pension plans.

Upper Darby benefited from very modest growth in these personnel costs from 2017 through 2021. As described in the Fiscal Condition Assessment, cash compensation grew by just 1.3 percent per year, partly because the Township’s largest labor union (the Fraternal Order of Police, or FOP) had wage freezes in 2020 and 2021 while the parties negotiated a new collective bargaining agreement.

Health insurance costs were also flat and, in 2022 and 2023, the Township had a two-month “holiday,” meaning that it received 12 months of insurance coverage for 10 months of contributions. The Township’s contributions to the employee pension plans grew faster over this period, increasing by \$1.8 million or 5.7 percent per year, but total personnel costs grew by just 1.6 percent per year from 2017 through 2021.

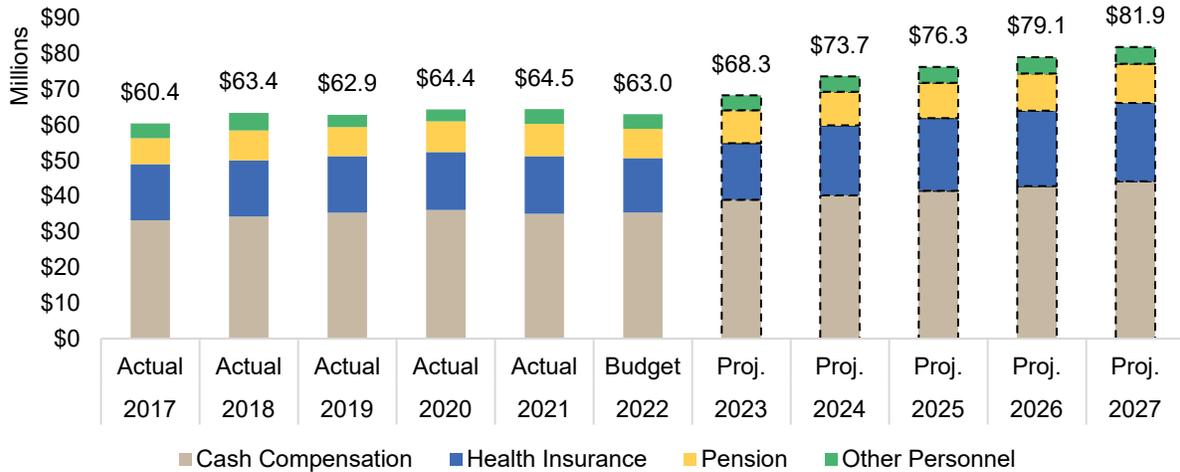
Even with that modest growth, the Township still did not balance its budget. Upper Darby ran deficits in four of the five years reviewed and, according to the Finance Director, nearly exhausted its already-modest reserves through the end of 2021. While the 2022 results will likely show a surplus and some rebound in reserves, that is largely because the Township used \$6 million in federal stimulus funding to pay its operating expenditures. And even that temporary support will not bring the Township close to the reserve levels it needs.¹

Looking forward, the Township should expect personnel cost growth to increase. The Township’s insurance broker indicated that the two-month “holiday” will likely end in 2024, and there is no guarantee that Upper Darby will continue to enjoy flat growth in year-over-year premium costs. The Township should also expect to increase employees’ base wages, which translates to increases in other types of compensation indexed to wages, like holiday pay. The baseline projection accounts for these factors and shows personnel costs growing by 3.9 percent from 2024 through 2027.

¹ Please see the Financial Management Chapter for more discussion on the importance and appropriate levels for financial reserves.



Personnel Costs, 2017 – 2027



As critical as the workforce is to Upper Darby Township’s mission, there are practical limits to the government’s ability to cover rising personnel costs.

- Upper Darby is extremely dependent on real estate tax revenue to pay for most of its daily operations, and that revenue is flat absent tax increases. A few services, like trash collection, have their own designated revenue, but they are also often flat absent rate increases.
- Upper Darby’s employees need reliable, effective, modern tools to support and advance their work, including vehicles, facilities, and information technology. A Public Works department without a reliable fleet of trash trucks, a police department with inadequate space to house its operations, and a fire department that is limited in the improvements it can make at rented facilities will struggle to provide services, no matter how numerous and well-compensated its employees are.
- Upper Darby is not entering this period on a strong note financially. As described elsewhere, Township government has repeatedly run deficits and depleted its reserve, and its credit rating was downgraded in 2022 before being withdrawn entirely in Spring 2023.²

The Township cannot fix all these problems just by mitigating the growth in personnel costs. As described elsewhere in this Plan, Upper Darby needs to increase revenues, make some investment in its infrastructure, and rebuild its reserves to provide a contingency and a buffer against any future economic downturn. But the Township also cannot achieve those goals unless it carefully manages the expenditures that account for most of its budget.

The initiatives in this chapter give Township leaders some initial direction on how to manage these costs. The Township has also historically retained the support of outside legal counsel and a subject matter expert in employee compensation who can provide more detailed, specific guidance in this area. The Township should continue to use that external support since the repeating, compounding return-on-investment for a good collective bargaining strategy far outweighs the cyclical contracting costs.

² S&P Global Ratings withdrew Upper Darby’s credit rating in April 2023 because the Township could not provide “timely information.” The Township should be able to reapply for a credit rating once the 2021 audit is complete.



Initiatives

WF01	Moderate across-the-board wage increases
Responsible parties	Mayor, Council ³ , City Administrator

Most Township government employees belong to one of four collective bargaining units: the Fraternal Order of Police (FOP), the International Association of Firefighters (IAFF), the Transport Workers' Union (TWU) or the Office and Professional Employees International Union (OPEIU). The terms of employment for members of those bargaining units, including compensation, are set by the collective bargaining agreements between the unions and the Township.

The Township reached agreements with the TWU and IAFF that run through 2024 and 2025, respectively. The OPEIU contract expired at the end of 2022, and the FOP contract expired at the end of 2020. Negotiations for these bargaining units were ongoing at the time of analysis.

In recent years, most bargaining units have received across-the-board (ATB) wage increases of at least 3.0 percent each year. The TWU reached an agreement with the Township in March 2022 to increase salaries and wages an additional 3.5 percent, bringing the ATB increase to 6.0 percent in 2022, following a 1.5 percent increase in 2021. The table below shows the negotiated ATB wage increases for each union in blue and the assumed ATB increases incorporated in the baseline projection in yellow.

ATB Wage Increases, 2019 – 2027⁴

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Police	3.0%	3.0%	TBD	TBD	3.0%	3.0%	3.0%	3.0%	3.0%
Fire	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
OPEIU	3.0%	3.25%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
TWU	3.0%	3.0%	1.5%	6.0%	2.5%	3.5%	3.5%	3.5%	3.5%

The assumed wage increases are not recommendations or collective bargaining proposals. They take the most recently negotiated wage increases and carry them forward to generate a baseline projection. We do not know what the forthcoming arbitration award will provide in terms of salary increases for police officers in 2021 and 2022, but any retroactive increase for those years will assumedly generate higher cash outlay in the first year (to pay officers for 2021 and 2022) and increase the base against which future wage increases will be applied.

The Township should negotiate future wage increases within the context of its financial limitations. Ideally, the Township would provide moderate wage increases each year evenly distributed over time, so that employees do not have years without any wage growth in this inflationary environment and the local government does not have to find money to pay for large increases concentrated in specific years. What level of wage increases would be considered “moderate” depends in part on the other decisions the Township makes.

If Upper Darby continues to rely on the flat real estate tax increase for its primary source of locally generated revenue, that will limit the Township’s ability to increase wages without offsetting those costs by reducing headcount, holding vacant positions open longer, or taking other cost control actions. The cost of across-the-board wage increases should also be weighed against the cost of other changes in cash compensation (see next initiative).

³ The Township Code empowers Council to approve collective bargaining agreements.

⁴ The baseline projection assumes that non-represented and management employees receive 3.0 percent annual ATB increases.



To provide a sense of magnitude, here are the estimated cost savings associated with a 0.5 percent decrease in the annual ATB assumptions for each union relative to the assumed increases in the table above:

- Reducing future base wage increases by 0.5 percent each year for FOP employees would save \$67,000 in 2024, rising to \$289,000 in 2027⁵
- Reducing future base wage increases by 0.5 percent each year for IAFF employees would save \$33,000 in 2026 and \$67,000 in 2027
- Reducing future base wage increases by 0.5 percent each year for TWU employees would save \$42,000 in 2025, rising to \$135,000 in 2027
- Reducing future base wage increases by 0.5 percent each year for OPEIU employees would save \$16,000 in 2024, rising to \$70,000 in 2027

Turnover may help offset the cost of future ATB wage increases when new employees starting at the beginning of the salary schedule replace senior employees who depart at the top of the salary schedule. Those savings could be significant, but are also likely change from year to year and potentially be offset by severance payments (see initiative WF03), so the Township needs more information to understand this impact. If the Township begins budgeting its salary expenditures using position detail, it can better account for these savings. That concept is covered in the Financial Management chapter.

A note on police staffing

As noted above, at the time of analysis, the Township did not know whether it would owe its police officers retroactive wage increases for 2021 or 2022, or what the base increase would be in 2023. If the Township is required by a future arbitration award to make retroactive payments for 2021 and 2022 during 2023, that will be a large increase in the Township’s cash compensation. On top of that retroactive payment, we assume the Township will have to pay some amount for base wage increases in 2023 and future years.

The Township does not know what it will pay this year or in the coming years for the largest component of the largest cost in its budget (police officer compensation). **Considering the Township’s financial position, it should not increase police officer headcount until that uncertainty is removed and the Township can fully assess whether it can afford more police officers.**

WF02	Manage the total cost in all forms of cash compensation
Responsible parties	Mayor, Council, City Administrator, City Finance

As described in the Financial Condition Assessment, base salaries are not the only form of cash compensation that Upper Darby employees receive. The table below very briefly summarizes other cash payments to Township employees under the most recent collective bargaining agreements.

⁵ This estimate assumes the 0.5 percent reduction in future base wage increases begins in 2024, following 3.0 percent increases for 2021, 2022, and 2023.



Other Cash Compensation

Description	2021 General Fund amount	FOP	IAFF	OPEIU	TWU	
Overtime	<p>Employees are paid at 1.5 times their base hourly wage for working outside of regularly scheduled shifts. TWU workers receive 1.5 times their base hourly wage for the first 8 hours worked outside of their normal workday, and then 2 times their hourly rate for every additional overtime hour.</p> <p>Employees may receive additional compensation for working overtime on certain holidays.</p>	\$2.9 million	Y	Y	Y	Y
Longevity	<p>Employees are paid an additional 3% of their annual salary for every 5 years of completed service, up to a maximum of 15%.</p>	This is tracked along with salaries and wages	Y	Y	N*	N*
Shift differential	<p>Employees who work a night shift are paid an additional 10% of their hourly wage. For police, this is for hours worked between 3 pm and 7 am, and for firefighters between 7 pm and 7 am.</p>	\$846,000	Y	Y**	N	N
Holiday pay	<p>Employees receive 14 paid holidays per year. They can either use the paid holiday as time off, or work and receive 2.0 times their normal rate of pay.</p>	\$894,000	Y	Y	N	N
Clothing allowance	<p>Employees receive a set amount per year (\$750 for police and fire, \$475 for OPEIU and TWU) per year to purchase work clothing.</p>	\$212,000	Y	Y	Y	Y
Educational Incentive	<p>Employees who attain a degree in a designated area will receive between \$200 (Associate Degree) and \$400 (Bachelor's Degree) annually.</p>	\$12,400	Y	Y	N	N
Other	<p>Employees can receive additional compensation if they work in a higher rank temporarily.</p> <p>Police officers are compensated at a rate of \$40 per day that they are on standby for criminal proceedings in the Court of Common Pleas.</p>	N/A	Y	Y	N	N

**Longevity payments were eliminated for OPEIU and TWU employees hired after 1/1/1988*

***Shift differential was eliminated for IAFF employees hired after 12/31/21*

Since the amount spent per person on many of these items is small relative to the Township's \$82 million General Fund budget, it is easy to overlook them or to understate the impact of changing the provisions



that govern these items, including the work rules that impact overtime spending. But the cumulative cost of other cash compensation was close to \$5 million in 2021.

To avoid overlooking these costs, we recommend the following:

- The Township should calculate the all-in cost of adding one new firefighter, one new police officer, one new clerk,⁶ and one new laborer; share that with Council members and department leaders; and use that estimate during its budgeting and staffing decisions. The all-in cost should include the cost of health insurance (net of employee contributions) and the Township’s share of pension contributions (net of Commonwealth pension aid). It should also show how costs change in the first five and 10 years since some positions have tenure-based increases built into their structure. This will help the Township make more informed decisions about the fiscal impact of adding or reducing staff.
- During negotiations, the Township and union should discuss the total spending by bargaining unit for all and each type of cash compensation relevant to those employees. The Township and union could then discuss a target for total spending on all forms of cash compensation over the next contract period and negotiate accordingly. This will help the parties think creatively and collaboratively about how to balance the total cost of cash compensation against other needs, like spending on active and retired employee health insurance, or investing in vehicles and facilities that employees use every day.

WF03	Restructure sick leave payouts
Responsible parties	Mayor, Council, City Administrator

Sick leave is an important and common benefit for employees that promotes health, productivity, and morale. Some governments intentionally incentivize employees to bank a minimum number of unused sick days so that employees have it as a contingency in the event of prolonged illness. Others use sick leave buyout to reduce overtime costs for employees who might otherwise use the leave under a “use it or lose it” system. Sick leave buyout programs are sometimes cited as cost avoidance initiatives in the context of 24-hour operations, like police or fire coverage.

The current system provides an incentive for employees to accumulate a growing bank of unused leave. For each bargaining unit, employees can accrue sick leave up to a certain threshold and be paid out at a rate of 50 percent (i.e., 8 hours for every 16 hours accrued) when they retire for the time that they have in their ‘bank.’ The TWU and OPEIU sick leave payouts are capped at 280 days for all workers, and firefighters are capped at 100 to 120 days, depending on the firefighter’s hire date. Police sick time payouts are accrued by the hour, and caps range from 800 to 960 hours (or 100 to 120 8-hour days), depending on the police officer’s hire date.

⁶ The Township could substitute or add other positions represented by OPEIU and TWU if there are others that are frequently discussed during staffing and budgetary decisions.



Sick Leave Payout by Bargaining Unit

Bargaining Unit	Sick Leave Buyout
FOP	50% buy back of accumulated sick days up to a maximum depending on hire date: Prior to 2007: 960 hours After 2007: 800 hours
IAFF	50% buy back of accumulated sick days up to a maximum depending on hire date: Prior to 10/1/2007: 120 Days After 10/1/2007: 100 Days
TWU	50% buy back of accumulated sick leave to a maximum of 280 days (140-day payout)
OPEIU	50% buy back of accumulated sick leave to a maximum of 280 days (140-day payout)

When an employee is paid out for accumulated leave, it is recorded in the Township’s accounting system along with salaries and wages, which makes it difficult to track. While we did not hear from management discussions that there is widespread sick leave abuse, we did hear that in 2019 and 2020 these payouts spiked during a wave of retirements in the police and fire departments.

Large sick leave payouts become another long-term liability that are triggered when the employee leaves, on top of pensions and retiree health insurance. As described below, Upper Darby already has an unusually large liability for retiree health insurance, so it should be especially vigilant about adding another. These payouts also put the Township in the difficult position of either running short-handed while the employee uses their accumulated leave or paying for the same position twice – once to the employee using their accumulated sick leave and a second time to the person who performs their work, either on overtime or as a new hire to backfill the eventual vacancy.

The City should revisit this sick leave buyout program and consider whether there are other, more cost-effective options to achieve the same outcomes. If the Township is providing this benefit in lieu of short-term disability, it should see whether this is cost effective. Finally, the Township should track sick leave payouts separately from salaries and wages so that it can build in a predictive factor into its budget or build up a reserve to pay out retirees.

Health Insurance

Upper Darby is one of the 30+ municipalities that participate in the Delaware County Public School Healthcare Trust. The Trust is self-insured and pays claims costs each year, but participating municipalities make monthly premium payments into the Trust based on their claims experience and risk factors for their plan participants. Most of the Upper Darby’s participants covered by the Trust (about 75 percent) are active employees.



Health Benefits Spending and Enrollment, 2018 to 2021

	2018	2019	2020	2021	2018-21
Active employees	483	485	497	506	1.6%
Retirees ⁷	163	160	162	166	0.7%
Total Enrollees	646	645	659	672	1.3%

In 2021, Upper Darby spent \$16.2 million on health benefits, accounting for almost 20 percent of total expenditures across the General and Sinking Funds.⁸ The Township's spending on health insurance was flat from 2017 through 2021, increasing by just 0.6 percent per year, because the Trust has kept premiums flat during that period. Across the industry, average health insurance premiums grew by 3.7 percent to 4.3 percent per year. If Upper Darby's spending grew by 3.7 percent per year over this period, the Township would have spent an additional \$2.1 million on health insurance in 2021.

Upper Darby Health Insurance Spending versus Industry Averages, 2017 – 2021

	2017	2018	2019	2020	2021	CAGR
Health Insurance Spending	\$15,775,365	\$15,776,271	\$15,897,043	\$16,271,249	\$16,181,376	0.6%
<i>Average Family Premium</i>	<i>\$18,764</i>	<i>\$19,616</i>	<i>\$20,576</i>	<i>\$21,342</i>	<i>\$22,221</i>	4.3%
<i>Average Single Premium</i>	<i>\$6,690</i>	<i>\$6,896</i>	<i>\$7,188</i>	<i>\$7,470</i>	<i>\$7,739</i>	3.7%

In addition to this very low growth, Township had a two-month holiday on its premium contributions in 2022 and 2023, meaning covered employees and retirees received 12 months of health insurance for 10 months of Township contributions.

Looking forward, Upper Darby's insurance broker indicated health premiums could follow industry growth patterns after 2023. The broker also noted that the two-month "premium holiday" was due to better-than-expected claim experience and should be treated as a temporary benefit. The baseline projection described in the Financial Condition Assessment assumes that the Township will resume 12 months of premium payments in 2024. It also assumes 3.8 percent in annual growth, the same as historical industry averages. In that scenario, the Township's spending in this area would grow from \$15.9 million in 2023 to \$22.8 million by 2028.

Based on conversations with the Township's insurance broker,⁹ we recommend the following initiatives related to active employee health insurance expenditures.

WF04	Implement plan design changes for active employees
Responsible Parties	Mayor, Council, City Administrator

Upper Darby currently has three types of preferred provider option (PPO) health plans:

- Personal Choice (PC) Option 1
- PC 10/20/70
- PC 15/25/70.

⁷ As described later in this chapter, other retirees have Township-funded coverage provided through other plans.

⁸ Spending data includes health, prescription, vision, dental, life, and disability insurance. The total expenditures do not include repayment of the Township's Tax Anticipation Note (TAN).

⁹ In late 2022, PFM had a detailed discussion with the Township's insurance broker who shared these recommendations and provided any cost/savings estimates provided in this chapter.



Because premiums for the PC Option 1 and PC 10/20/70 are generally higher, newer employees are only eligible for the third option.

Upper Darby Health Benefits

		PC Option 1	PC 10/20/70	PC 15/25/70
Eligibility	Police	Hired before 4/1/2007	Hired before 1/1/2017	All police officers
	Fire	N/A	Hired before 1/1/2017	All employees
	OPEIU	N/A	Hired before 1/31/2019	All employees
	TWU	N/A	Hired before 1/31/2017	All employees
Primary care copay		\$5	\$10	\$15
Emergency room copay		\$25	\$40	\$40
Urgent care copay		\$17	\$28	\$28
2021 monthly premium ¹⁰	Individual	\$1,331	\$1,238	\$1,184
	Family	\$3,312	\$3,057	\$2,948

Based on our discussions with the Township's insurance broker, Upper Darby has several options to create new tiers of benefits that would generate savings, including the following.

- **Deductible health plans with offsetting health savings account:** Upper Darby can establish health plans with deductibles (e.g., \$1,500 for single coverage and \$3,000 for family coverage) and then make offsetting contributions to employee health savings accounts (HSAs). The Township's health insurance broker noted that moving to a deductible health plan can help change employee behavior and improve claim experience, and the impact to employees would be minimal if the City makes an offsetting contribution to an HSA. The Township's broker did not provide a premium figure for a deductible health plan but estimated savings would be at least 10 percent.
- **Deductible health plans with offsetting health reimbursement account (HRA):** Another way to help employees offset the cost of deductibles is to offer a health reimbursement account, where the Township would reimburse employees for any out-of-pocket expenses related to the plan deductible. Unlike HSAs where the employees would keep the entire contribution regardless of claim experience, the Township would keep any unused dollars under an HRA arrangement.
- **Keystone plans:** The three current plans are PPOs, and the Township can explore establishing Keystone health maintenance organization (HMO) or point-of-service (POS) plans. Since the plan network has expanded and evolved over the years, the broker estimated minimal changes for most employees in terms of access to their current doctors.
- **Increase copays:** The Township's insurance broker noted that the current copays, including the least expensive PC 15/25/70 plan, are relatively low compared to the current insurance plan designs on the market. Upper Darby could explore increasing copays when establishing a new tier of benefit, which would also help reduce the cost of premiums.

When making plan design changes, it is critical that the changes are accompanied by robust employee education and outreach to ensure that employees understand the practical changes if they switch to new plans and make an informed decision.

¹⁰ Includes health, prescription, dental, and vision.



WF05	Change employee cost-sharing structure
Responsible Parties	Mayor, Council, City Administrator

While the Township pays most of the costs for employee health insurance, employees do make a monthly contribution toward their health benefits.¹¹ The amount of contribution varies based on collective bargaining unit and hire date, summarized below:

Summary of Employee Contribution

		PC Option 1	PC 10/20/70	PC 15/25/70
Police	Hired before 4/1/2007	10%	3%	0%
	Hired before 1/1/2017	N/A	3%	0%
	Hired after 1/1/2017	N/A	N/A	3%
Fire	Hired before 1/1/2017	N/A	3%	0%
	Hired after 1/1/2017	N/A	N/A	3%
OPEIU	Hired before 1/31/2019	N/A	10%	10%
	Hired after 1/31/2019	N/A	N/A	10%
TWU	Hired before 1/31/2017	N/A	3%	3%
	Hired after 1/31/2017	N/A	N/A	3%

These percentage contributions are much lower than averages reported in a recent national survey of employer health insurance.¹² In comparison:

- Employees of public sector organizations contributed 13 percent of the total premiums for single coverage and 24 percent for family coverage in 2022.
- Employees of public sector organizations with more than 199 employees contributed 13 percent of the total premiums for single coverage and 22 percent for family coverage in 2022.
- Employees who work in the northeast, across all types of firms, contributed 20 percent of the total premiums for single coverage and 26 percent for family coverage in 2022.
- Employees who work in the northeast and have PPO health plans (like Upper Darby), across all types of firms, contributed 21 percent of the total premiums for single coverage and 26 percent for family coverage in 2022.

The Township should consider increasing employee premium contributions through the collective bargaining process. For illustration, if the Township increases employee contribution by 2 percent (to 12 percent for employees currently making 10 percent contributions and to 5 percent for employees currently making 3 percent contributions), the Township would generate savings of approximately \$155,000 annually.

While increasing employee contributions for all plans across-the-board is the simplest approach, the Township's health insurance broker recommends the following two options when changing employee cost-sharing structure:

- **Employee buy-up:** The Township could cover the full premium cost of a "base plan" (typically a deductible health plan or a Keystone plan) and then require employees to pay the additional

¹¹ This refers to employees monthly contributions toward the cost of their insurance coverage, which is separate from any deductibles, co-payments or co-insurances that employees pay when they receive care.

¹² Kaiser Family Foundation 2022 Employee Health Benefits survey, available online at <https://www.kff.org/health-costs/report/2022-employer-health-benefits-survey/>



premium costs associated with a higher-tier health plan. This approach incentivizes employees to share in the cost of richer health plans or select the base plan and share in the savings. Similarly, the Township could pay the full costs for a plan as of a specific date, and any subsequent premium costs would be absorbed by the employees. Another variation is that the Township pays a base amount that grows by a set percentage (5 percent per year) and then the employees can either cover any premium cost growth over that set percentage or choose a lower cost plan.

The Township’s insurance broker estimated that a new high deductible health plan (HDHP) would generate approximately 20 percent in savings based on current enrollment. For illustration, if the Township establishes a new high deductible health plan (HDHP) as the new “base” plan with a 20 percent premium savings, the employee buy-up scenario would be as follow.

Employee Buy-up Scenario¹³

	PC Choice 1	PC 10/20/70	PC 15/25/70	HDHP
Monthly Premium (Single)	\$1,331	\$1,238	\$1,184	\$939
Employee \$ Contribution	\$392	\$299	\$245	\$0
Employee % Contribution	29.5%	24.2%	20.7%	0.0%

- **Varied contribution based on plan selection:** The Township could set higher employee contributions for non-base plans. While this is similar to the employee buy-up, the difference is that the Township would share the cost of future premium increase for non-base plans in this scenario, as illustrated below.

Scenario: Varied Contribution vs Buy-up Approach

	Varied Contribution		Employee Buy-up	
	Buy-up Plan	Base Plan	Buy-up Plan	Base Plan
Year 1 Premium	\$1,184	\$939	\$1,184	\$939
Employee % Contribution	20.7%	0.0%	20.7%	0.0%
Employee \$ Contribution	\$245	\$0	\$245	\$0
Year 2 Premium	\$1,243	\$957	\$1,243	\$957
% Increase from Year 1	5.0%	2.5%	5.0%	2.5%
Employee % Contribution	20.7%	0.0%	23.0%	0
Employee \$ Contribution	\$257	\$0	\$286	0

Other Post-Employment Benefits (OPEB)

WF06	Reduce long-term liability and cost growth for retiree health insurance
Responsible Parties	Mayor, Council, City Administrator

As noted above, the Township provides health insurance coverage for retired employees until they are eligible for Medicare at age 65. While all Township employees are eligible for these other post-employment benefits (OPEB), retired police officers and firefighters account for most of the spending on retiree health insurance. Aspects of their coverage include:¹⁴

¹³ This scenario assumes PC Choice 1 and PC 10/20/70 are only available to the employees who can currently use those plans.
¹⁴ Much of the analysis in this section is drawn from previous analysis conducted by The Kapoor Company during 2021.



- The Township provides health insurance to the retired employee, his or her spouse, and any dependents. When a retired police officer dies, the surviving spouse retains coverage until they remarry or secure a job with health insurance coverage.
- Retired firefighters receive the same coverage as active firefighters. Retired police officers keep the same coverage they had when they retired. Across all employees (including non-public safety), the Township provided 37 different types of health insurance plans for active and retired employees in 2021.
- Retired firefighters do not have any contribution for medical or prescription coverage. They can purchase dental coverage at the same contribution level in effect when they retire.
- Police officers who retire after 2012 with an insurance plan requiring monthly premium contributions make that same contribution during retirement. The dollar amount of the contribution does not increase for the retiree, even if it does for active employees. If the retiree or spouse switches plans during retirement, they pay any additional costs.

Like many other Pennsylvania municipalities, Upper Darby pays for retiree health insurance each year when claims are incurred or premiums are due. The Township does not set aside money ahead of time to cover the cost of future benefit usage (“prefunding”) as Pennsylvania law requires for employee pension plans. The Township estimates that it spent \$7.2 million on retiree insurance in 2022 and the retirees contributed \$0.4 million (or 6.1 percent) toward those costs. At that level, retiree insurance net of retiree contributions would have cost more than 40 percent of the Township’s \$15.6 million budget for these items.

Like pensions, OPEB creates a long-term liability that the Township must eventually fund. If the Township government ceased to exist today and no longer had any employees, it would still be responsible for funding the cost of retiree health insurance. Because of the scope of benefits that Upper Darby provides and very minimal cost control provisions in place, the Township’s OPEB liability is very large.

As of 2019, Upper Darby’s net OPEB liability was \$285.2 million, which was third highest among the 10 largest municipalities in Pennsylvania, behind only Philadelphia and Pittsburgh. The Township’s net OPEB liability was larger than those of Allentown, Erie, and Reading **combined**, even though each community is larger than Upper Darby. When adjusting for population size, Upper Darby’s net OPEB liability per person far outpaces every other large Pennsylvania municipality, including Philadelphia and Pittsburgh.

While numbers at this scale are sometimes difficult to put in context, the important conclusion is that the Township is spending a lot now on retiree health insurance and, absent corrective action, will spend even more in the future as the cost of health insurance rises.

The Township’s leaders and residents will have to decide whether allocating limited dollars in this way is the best option for fulfilling the mission

OPEB Liabilities for 10 Largest PA Municipalities¹⁵

Municipality	Net OPEB Liability (\$ Millions)	Population	Per Capita OPEB Liability
Upper Darby	\$285.2	82,887	\$3,441
Scranton	\$205.9	77,054	\$2,672
Lancaster	\$139.6	59,433	\$2,349
Pittsburgh	\$437.7	302,205	\$1,448
Philadelphia	\$1,823.9	1,579,075	\$1,155
Allentown	\$90.9	120,915	\$752
Reading	\$64.6	88,232	\$732
Erie	\$22.8	97,263	\$234
Bethlehem	\$16.6	75,461	\$220
Bensalem	\$11.1	60,428	\$184

¹⁵ Net OPEB liabilities as of 2019 for all communities. Population is also from 2019 according to the US Census Bureau’s American Community Survey five-year estimates (2015-19).



statement of “delivering world class services.” Even the current employees who will eventually benefit from this provision should consider whether this is the optimal compensation package for recruiting new employees and retaining current employees. Ultimately, every dollar spent from a limited pool on retiree health insurance is one less dollar available to spend on cash compensation.

Some urban municipalities have eliminated retiree health insurance for their newer hires.¹⁶ If Upper Darby took that approach, it would not change the Township’s near-term spending since new hires will not be eligible for retiree health insurance for decades, but it does eventually reduce the OPEB liability, which is very large for Upper Darby.

With the guidance of its labor counsel and insurance broker, the Township should consider the following specific options and identify others:

- Requiring future retirees to make the same contribution toward the cost of health insurance as active employee. If Upper Darby received a 10 percent contribution from all retirees, the Township would save approximately \$274,000 on an annualized basis.
- Moving toward a stipend structure where the Township pays a fixed monthly amount for retirees until they become Medicare eligible. This approach is used by other Pennsylvania municipalities including Erie and Bethlehem.

¹⁶ The hire date after which employees in these municipalities do not receive retiree health insurance depends on when the provision was negotiated since this elimination usually applies only to future hires. For example, Reading’s cut-off date is December 2010 for fire and December 2011 for police.



Improving Operations

The Township government’s mission statement emphasizes that the organization is, first and foremost, responsible for providing services to its residents, businesses, and visitors.

To be a world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.

The main services that the Township provides to its residents are public safety coverage; residential refuse collection; street, park, and sewer maintenance; recreation programming and facility maintenance; and code and parking enforcement. Those services account for more than two thirds of the Township’s 2022 budget and most of its staff.

As a service provider, the Township needs a workforce that is sufficient in size, well-trained, customer-oriented, and reflective of Upper Darby’s diversity. That workforce needs to have reliable, effective, modern tools to support and advance its work, including vehicles, facilities, and information technology. And the Township needs to have good processes that deliver services effectively and efficiently.

This section of the Plan provides recommendations to help the Township advance its mission in these areas while also recognizing Upper Darby’s financial limitations and acknowledging that some key strategies need more development, beyond the scope of our work on this multi-year financial plan.

Mission (Statement of Purpose)	<i>A world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community</i>	
Mission Statement Components	Provide quality municipal services...	
Obstacles (What prevents us from fulfilling our mission)	Having the right amount of employees who are properly trained, customer oriented and reflect the community's diversity	Old or inadequate facilities, vehicles and information technology
Goals (How we will overcome the obstacles)	Evaluate the costs and benefits of adding staff in specific areas and identify potential funding sources Continue employee training that clearly improves service to Township's residents, businesses, etc Set and track progress toward specific goals related to workforce diversity	Capital budgeting and capital improvement plan development
Strategies (Specific actions for specific departments)	Consider expanding full-time firefighter coverage to weekends (FD01)	Create a capital improvement plan (CP01) Increase revenues or mitigate spending growth to provide funding for CIP (multiple)



This is not a comprehensive list of the obstacles to Upper Darby becoming a “world class provider of municipal services,” nor does it have a complete list of strategies for overcoming those obstacles. Township leaders will have to identify the most critical obstacles and the strategies with the most potential to cover come them.

There is already progress on employee training and diversity goals noted above. As part of its work toward accreditation, the Upper Darby Police Department is providing a wide range of training to its officers that covers topics from how to perform daily tasks safely, how best to respond to incidents where people are behaving erratically or having mental health crises, and how to police the community with more cultural sensitivity. The Upper Darby Fire Department ensures its full-time firefighters are cross trained to respond to fire or emergency medical services (EMS) incidents. Both public safety chiefs cited staffing limitations as challenges in this area.

In terms of potential staff additions, Township leaders asked that we evaluate the cost of potentially expanding its use of career firefighters to include weekends that are mostly covered by volunteer companies.¹ That section explains the issue in question and provides a high-level cost estimate for expanding coverage. While there is much work to do and many discussions to have before Upper Darby can move forward, this should give Township leaders and residents a useful starting place. The Employee Compensation chapter also provides the estimated “all-in” cost for a new police officer and firefighter, so the reader understands how much the Township should expect to spend to add and fill new positions.

This section explains the importance of capital budgeting and capital planning that are critical to improving the vehicles, facilities, and other tools that Township government uses to serve Upper Darby residents every day. Capital improvements would also cover the roads, bridges, and parks that the Township government wants to ensure are “vibrant public spaces.”

Other parts of this plan have initiatives to improve the Township’s financial management and financial performance. As described in the Mission and Management chapter, stronger financial management and better financial performance is a prerequisite to enhancing “front line” operations like police, fire and public. If the Township leaders want to increase staffing or invest more in capital projects, they will have to address the deficits described in the Financial Condition Assessment and then redirect resources to these goals.

¹ The Police Chief cited the need for additional staff in that department. Township leadership could pursue additional funding available through the Commonwealth Strategic Management Planning Program to review Upper Darby Police Department’s staffing levels and needs.



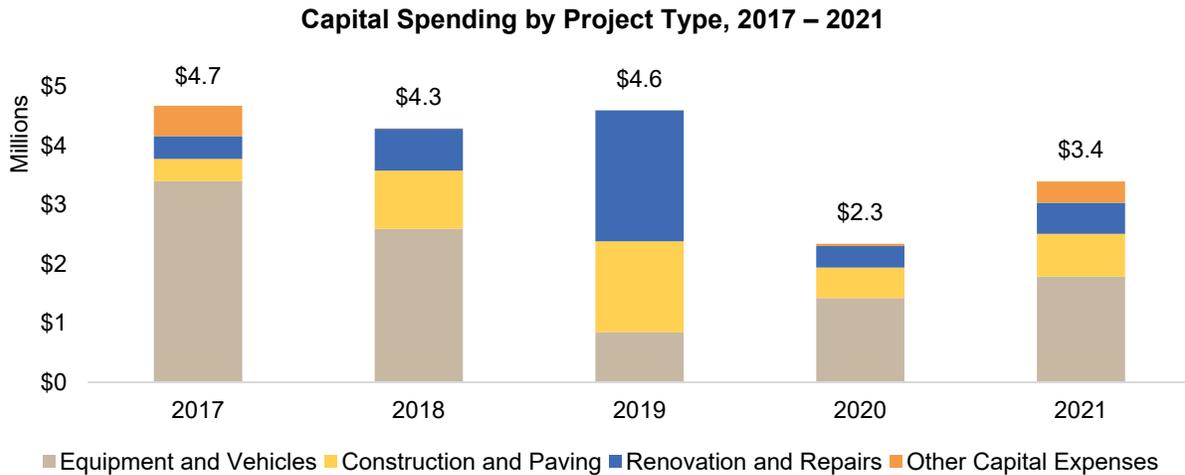
Improving Infrastructure

The Financial Condition Assessment provides a detailed description of Township government’s spending on daily operations in its General Fund and its spending on debt repayment from its Sinking Fund. There is a third category of expenditures that links these two categories – spending on capital projects that are often financed by debt to support operations.

Capital projects involve the rehabilitation, replacement, or renovation of existing infrastructure or the purchase or construction of new infrastructure. The Township’s 2020 annual financial statement shows \$79.4 million in capital assets² including:

- 128 miles of roads
- Eight bridges
- Several parks, playgrounds, and recreation areas
- Municipal buildings like the Township Building and Police Station
- Vehicles
- Machinery and equipment

The Township has traditionally used separate Capital Funds to fund capital improvement projects, other than those related to its sewer system.³ The bar graph below shows the Township’s spending from those funds by project type.



There are two primary ways to fund capital projects – dedicating a portion of current year revenues or accumulated reserves for pay-as-you-go (or PAYGO) funding or issuing debt that is repaid with interest over time⁴. The following table highlights the general differences between the two methods.

² See Note E, page 40. This does not account for depreciation.

³ The Township has a separate fund for its sewer related operating and capital expenditures.

⁴ PFM Financial Advisors, LLC is the Township’s municipal financial advisor for debt related issues.



Capital Funding Methods⁵

	Pay-as-you-go (PAYGO)	Debt financed
Ideal for Funding:	<ul style="list-style-type: none"> • Small projects • Assets with shorter useful lives • Projects with a local match requirement 	<ul style="list-style-type: none"> • Large projects • Assets with longer useful lives • Projects with a predictable stream of future revenue
Pros	<ul style="list-style-type: none"> • Saves interest and issuance costs • Preserves flexibility and borrowing capacity 	<ul style="list-style-type: none"> • Provides more money upfront • Easier to distribute spending over time through scheduled debt repayments
Cons	<ul style="list-style-type: none"> • Insufficient to fund all needs • Uneven expenditures • Lack of “intergenerational equity” (i.e., today’s taxpayers fund projects that will be used for years to come) 	<ul style="list-style-type: none"> • Adds interest and issuance costs • Limits financial flexibility and reduces borrowing capacity • Cost of borrowing depends on credit worthiness

Upper Darby primarily uses debt financing for its capital projects. The Township issued debt to fund capital projects in 2009, 2016, and most recently in 2021 when it issued \$9.2 million in General Obligation bonds.

Township government needs well-maintained infrastructure, buildings, vehicles, and equipment to perform its daily functions. While capital projects come with upfront costs, deferring those projects eventually creates other problems, whether it be a lower quality of services or higher costs for maintenance and repairs. The maxim *an ounce of prevention is worth a pound of cure* is very relevant in this area.

When we asked the Township’s department leaders what they most needed to improve the services, they frequently cited capital needs at the top of their list.

- **Police:** Leadership in this department noted that it has outgrown its physical space at 7236 West Chester Pike. The department currently has two divisions in trailers outside of the police headquarters building, which needs to be repaired or expanded. In department interviews, we also heard that the poor condition of the department’s vehicle fleet hurts operations. Many vehicles are outdated or beyond their useful life, and the types of vehicles that the department has are not fit for the narrow streets that it patrols.
- **Fire:** The Township does not own the stations from which the Upper Darby Fire Department operates. Each station is owned by a different organization whom the Department pays for use of the facilities. Department leadership cited difficulty executing capital maintenance projects at the facilities because the Township does not own them and noted that the fire stations need critical maintenance and repairs.
- **Public Works:** The sanitation department relies on trash trucks to collect residential solid waste and recyclable material. We heard in department interviews that the trucks are frequently out of service and cannot be consistently deployed due to their age and condition. Out-of-commission trucks are one of the major drivers of overtime according to the department because, when there are not enough trucks to service routes, workers need to stay longer to complete pickups.
- **Leisure Services (Recreation):** Leadership in this area noted that the playground equipment at several sites is far beyond its useful life and needs to be replaced. There are also bridges in some Township parks that are expensive to repair, but critical to providing safe access throughout the facility.

⁵ Adapted from *Capital Improvement Programming: A Guide for Smaller Governments*, Patricia Tighe, GFOA



Returning to Upper Darby’s mission statement, township government cannot be a “world class provider of municipal services” if its facilities are inadequate, its vehicles inoperable, and its technology outdated. Upper Darby as a community will not have “welcoming neighborhoods, thriving business districts, and vibrant public spaces” if roads are not paved, bridges not maintained, and public spaces not rehabilitated when needed.

The Township needs a more organized, robust approach to capital planning and the following recommendations are the next steps toward that goal.

CB01	Allocate the remaining federal stimulus funds to capital projects
Responsible parties	Chief Administrative Officer, Public Works, Finance

Upper Darby received \$41.7 million under the American Rescue Plan Act of 2021 (ARPA, or the federal stimulus bill) that can be used for the purposes described in the accompanying federal guidelines. As of May 2023, the Township leaders estimated there was approximately \$15 million in ARPA funding that had not been assigned to other purposes. Leadership also estimated that the Township could take the remaining \$15 million “revenue replacement” and transfer it into the General Fund.

Revenue replacement is one of four categories for which ARPA funds can be used according to the federal guidelines. Under revenue replacement, the federal government assumes that, absent the COVID-19 pandemic, the Township’s revenues would have grown by 5.2 percent each year from 2019 through 2023.⁶ Since Upper Darby’s revenues have not grown at that rate, the Township can assume that COVID-19 caused the difference between this “counterfactual” scenario with 5.2 percent annual growth and the actual revenues, and then take that difference as revenue replacement.

Township leaders believe Upper Darby can use the revenue replacement provision to take the remaining \$15 million in ARPA funds, then use that money flexibly to support operations or capital projects. The Township has already used ARPA to temporarily cover its operating deficits in 2022 and 2023, and the federal guidelines allow the Township to do so one final time in 2024. This would just prolong the difficult decisions that the Township leaders will have to make to address the reality that recurring revenues are not high enough to cover recurring expenditures. As the Financial Condition Assessment describes, postponing hard decisions just allows the deficits to grow larger and makes subsequent decisions even harder.

We instead recommend that the Township use the revenue replacement provision to give itself flexibility to use its remaining, unassigned ARPA allocation for capital projects. The Township should consult with the third-party that is helping them manage ARPA funding; determine the best way to take the remaining ARPA allocation as revenue replacement;⁷ and then transfer that amount into a newly created Capital Improvement Account.

The Township would then use the money in the Capital Reserve Account to fund capital projects on a pay-go basis. As discussed later in this chapter, the Township should focus on projects that replace or sustain existing assets including:

- Repairing or replacing electrical; plumbing; or heating, ventilation, and air-conditioning (HVAC) systems in its main facilities, like the police headquarters or Township Hall;
- Replacing vehicles that are beyond their useful life;

⁶ The federal legislation does not distinguish between communities that would have had more robust annual revenue growth absent COVID-19 and those like Upper Darby where revenues have minimal growth for reasons unrelated to the pandemic.

⁷ Some communities have used the revenue replacement allocation to fund operating costs in its General Fund, kept taxes and fees at the level needed to cover annual operating costs without ARPA, and then transferred the resulting surplus to a Capital Reserve account.



- Equipment replacement and other improvements that ensure playgrounds are safe and accessible to Upper Darby residents; or
- Repairing sanitary or storm sewer infrastructure⁸

This Reserve will not last indefinitely, nor will it cover all capital project needs. The Township will still likely need debt financing for large projects. But ARPA provides Upper Darby with a rare opportunity to complement the debt financed projects with pay-as-you-go financed projects.

The Township should determine the best way to move forward with this strategy and then do so during 2023. Under the federal guidelines, the Township cannot use the revenue replacement provision after 2024.

CB02	Conduct asset condition assessment
Responsible parties	Chief Administrative Officer, Public Works, Finance

Upper Darby should conduct an asset condition assessment to identify, prioritize and plan to address its capital needs. The assessment should:

- Document specific deficiencies that will likely need remediation within five or ten years, describe the remediation needed, and estimate the cost of doing so
- Categorize all recommendations in terms of relative urgency according to clear criteria

The condition assessment is a more formal, and often more thorough, review of capital needs than Township staff can usually perform on their own when they are juggling other responsibilities. The Township should hire an outside firm to conduct the initial assessment, which Public Works staff can then use as a baseline that they update. If the cost or time associated with evaluating all capital assets is too high, the Township should focus first on its major facilities and then add other assets (roads, bridges) in subsequent phases.

Separate from asset condition assessment, the Township should have a replacement plan for its vehicles and associated equipment that shows the anticipated end of each item’s useful life, the estimated cost to replace it, and the timing for doing so. Vehicles used beyond the end of their life cycle can drive maintenance and repair costs higher, hamper operations by falling out of service for extended periods, and divert time away from preventative maintenance on newer vehicles. Information technology is less visible to the public than a garbage truck or police station, but the Township should have an updated schedule for replacing computers, laptops, servers, etc.

CB03	Develop a capital improvement plan document and process
Responsible parties	Chief Administrative Officer, Public Works, Finance

Township government needs well-maintained capital assets to perform its daily functions and deliver high-quality services to residents. A robust capital improvement plan (CIP) and capital budget are the best means to help Township government maintain its existing infrastructure and make strategic investments.

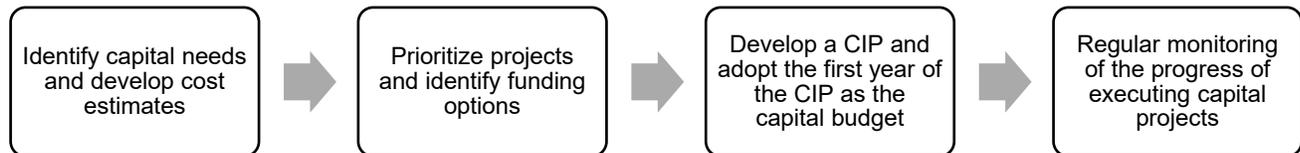
The CIP development process starts with identifying and prioritizing capital projects as described in the prior initiative. Then the Township uses the CIP document to distribute the projects over the planning period

⁸ ARPA funds can be used directly for sewer improvements, without taking the intermediary step of using the “revenue replacement provision” to route the money into a capital reserve account. The federal guidelines require the Township to obligate the funds by the end of 2024 and spend them by the end of 2026.



(usually three to five years) according to urgency, funding availability and ability to execute. The first year covered in the CIP becomes the Township's capital budget that it adopts through the same process used for the annual operating budget.

Capital Planning Process



The CIP document is a planning tool, so it should be updated each year as projects are completed or re-prioritized. New projects that were not identified in the first pass will emerge and should be slotted into the schedule accordingly. Ideally, the projects will be a mix of those focused on replacing or sustaining existing assets and making targeted investments in new assets that have clear strategic value. In the near term, the Township should focus on the replace/sustain projects, if the condition of the buildings and fleet is as problematic as described during department interviews.

The asset condition assessment will help Upper Darby identify and prioritize potential projects, especially those that are most urgent from the perspective of ensuring health, safety, or legal compliance. Beyond those immediate needs, the Township should prioritize the remaining projects using criteria established before reviewing individual projects, such as:

- **Strategic alignment:** To what extent does this project align with the Township's mission and vision statement?
- **Age and condition of the asset:** Will this project bring the asset onto a life cycle replacement plan? What are the associated costs of delaying this project?
- **Public benefit and equity:** Who specifically will benefit from this capital project?
- **Operating cost savings:** Will this project generate recurring savings in the operating budget as a result of lower maintenance costs? Will it create new operating costs that are not currently in the budget?

The CIP should schedule replacement of large vehicles with long useful lives and may also include the cost of vehicles with shorter useful lives (like police patrol vehicles) if those costs are not covered in the operating budget. Including a schedule for road paving that explains how roads are being prioritized would give the residents a sense for when they can anticipate improvements to that most visible asset.

We also recommend that the Township prioritize maintenance and repairs at existing facilities over creating new facilities. For example, the Township has several playgrounds that need equipment upgrades or replacements to provide safe, healthy, and vibrant public spaces for family recreation. Ideally, the Township would have a mix of repair-replace-renovate projects and new construction projects. Until the Township regains its credit rating and stabilizes its cash position, it will be very difficult to fund both projects, so we recommend focusing limited resources on the needs that already exist.

In some cases, the Township should consider removing the playground equipment entirely and retrofitting playgrounds for more passive, open recreation or community gathering space. A very tiny playground that is lightly used or close to other playgrounds can be turned into an open seating area. The Township's open space plan that is under development should identify sites for conversion into different uses that better



match Upper Darby’s diverse population. As one person noted, the Township likely does not need as many baseball fields, but it might need more soccer fields than it did decades ago.

Before any new facility should be built, the Township should have a full accounting of its ongoing operating costs, including labor (will the Township have to hire more employees to operate or maintain the site), utilities and equipment replacement. Those costs will help the Township leaders prioritize their limited resources and ensure that Upper Darby can cover the recurring cost of operating the facility.

This does not mean that the Township cannot or should not build any new facilities, but the full cost of operating any new facility should be incorporated into future budgets and capital plans before the sites are built and costs incurred.

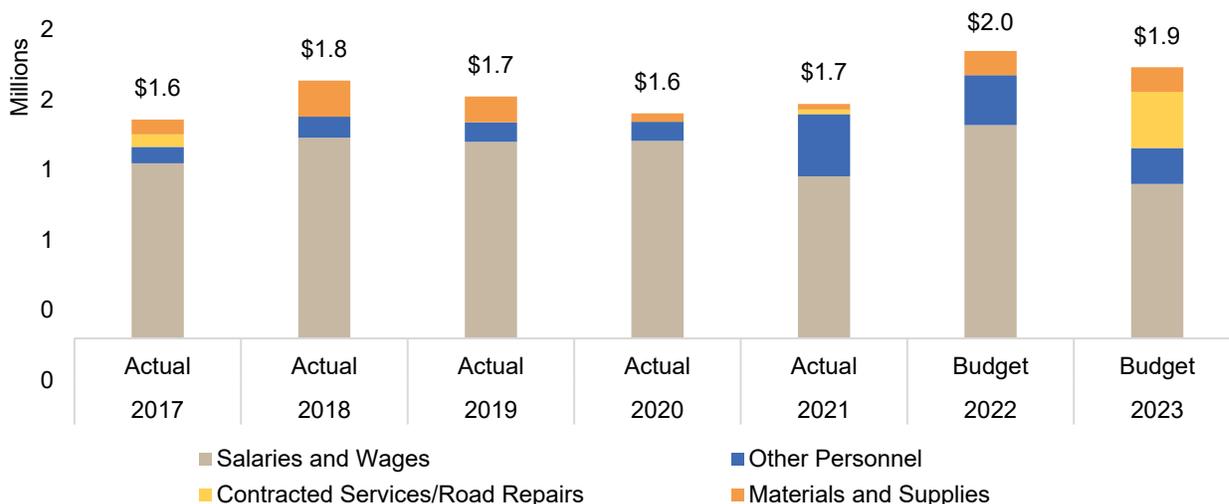
CB04	Continue shifting personnel costs out of the Liquid Fuels fund to increase funding for road paving
Responsible parties	Chief Administrative Officer, Public Works, Finance

Like other Pennsylvania municipalities, the Township has a separate Highway Fund to pay for expenses related to street and bridge maintenance and repairs.

Most of the Highway Fund revenue comes from the Commonwealth Municipal Liquid Fuels (MLF) allocation that is based on Upper Darby’s population and the miles of eligible roads. Historically, the Township has received about \$2.0 million annually from this revenue source and the budget anticipates \$1.9 million in 2023.

The Township usually uses most of the Fund’s revenues to pay for employee salaries, overtime, and associated payroll taxes.⁹ For example, Upper Darby spent \$1.6 million on personnel costs and \$73,000 on everything else in 2021. In 2023, the Township moved some of the salary and wage line items that had previously been paid out of the Highway Fund to the General Fund, including the streets division.

Highway Fund Expenditures, 2017 – 2023



Employee compensation costs are large enough that they consume most of the MLF allocation, leaving small amounts to pave roads and complete repair projects. While Township personnel are important, people cannot pave roads on their own. They need materials, supplies and occasional contracted services to

⁹ The General Fund covers expenditures for employee benefits, including the associated portion of the contribution to the employee pension plan.



perform that work. The Township only used \$154,000 per year on non-personnel needs, and never more than \$258,000, during the review period.¹⁰

The Township is trying to shift some of these personnel costs out of the Highway Fund and back into the General Fund, so there is more money available for road repairs. The 2023 budget allocates \$1.36 million for employee compensation, less than the \$1.87 million for the same purposes in the 2022 budget.

The General Fund cannot afford to immediately absorb the full \$1.4 million in personnel costs currently covered by the Highway Fund, but the Township should continue to gradually shift these costs into the General Fund, so the Highway Fund has more money to invest in road repairs.

We also note that the Township has historically spent less from the Highway Fund than it received into it. The Fund had \$1.1 million in reserves at the end of 2019 and \$1.6 million at the end of 2020. We do not know if the Township used these reserves in 2021 or 2022 but, if not, it could allocate a portion of them to road paving.

¹⁰ The Township also allocated \$495,000 from its 2021 Capital Project Fund to road repairs and maintenance paving in 2021.



Fire Department Staffing

Upper Darby Township's Fire Department has a combined staffing model that uses career and volunteer firefighters to man its five fire stations. Four of the Township's five fire stations are manned by career firefighters Monday through Friday and volunteer firefighters on Saturdays and Sundays. Station #20 (Garrettford – Drexel Hill) is manned entirely by volunteer firefighters seven days per week and is one of the Township's busiest fire stations.¹¹

In 2020, the Pennsylvania Department of Community & Economic Development (DCED) funded a study of this department. That study identified several problems with this staffing model and recommended the Township adopt one with a consistent number of full-time, part-time, and volunteer staff across its facilities, including on weekends.¹²

Township leaders asked that this Financial Plan take the concept of adding career firefighters on weekends and place it within the context of the Township's fiscal realities, so the community can make an informed decision on whether and how to proceed.

Since this is a financial plan, it evaluates fire department staffing through a fiscal lens – what would the expanded coverage cost, what are the variables that drive costs, and what are the types of changes the Township would have to make to afford this investment. This Plan does not re-evaluate the Township's current staffing model or revisit the recommendations in the 2020 study. It takes the conclusions from that prior study as they were presented, summarizes them for the reader's convenience, and then moves into the financial realm.

As the reader will see, adding career firefighters for weekend coverage would be a seven-figure investment. This Plan describes a multi-million-dollar structural deficit absent corrective action, so it is not surprising that the Township cannot afford to add paid firefighter coverage on weekends unless it also generates enough new revenue to cover the additional costs.

But the conclusion that Upper Darby cannot afford to add career firefighters to weekend coverage *right now* is not the final word in this discussion. A multi-year financial plan intentionally looks at resources and needs over several years, so the Township can position itself to make this investment if it is a priority. Upper Darby's leaders and residents should consider this initiative within the context of the community's needs, Township government's mission, and the willingness of Upper Darby's residents and businesses to change the local government tax structure or tax rates enough to eventually afford this investment.

Current operations

As of 2021, the Department's full-time roster included 55 career firefighters and captains¹³, four deputy chiefs, and the Fire Chief. Firefighters are assigned to one of three platoons (A, B and C) across four fire stations. Each platoon has one captain and 17 firefighters in each station. Platoons rotate through three shifts to provide 24-hour coverage from four stations, Monday through Friday.

According to the Department's 2021 Annual Report, the Township had a roster of 46 volunteer firefighters who provide weekend coverage from those four stations and a separate group of volunteers who staff Station #20¹⁴. Volunteers work 24-hour shifts on the weekend, covering from 7am on Saturday morning to 7am on Monday morning, when the career firefighter rotation resumes.

¹¹ According to the Department's December 2022 and 2021 Annual reports, Station 20 responded to 686 incidents (or the most of any station) in 2021 and 710 incidents (the most of any station except Station 36) in 2022.

¹² Department of Community and Economic Development (DCED), Administrative Study, Analysis, and Recommendations for Upper Darby Township, March 2021 (DCED Fire Study).

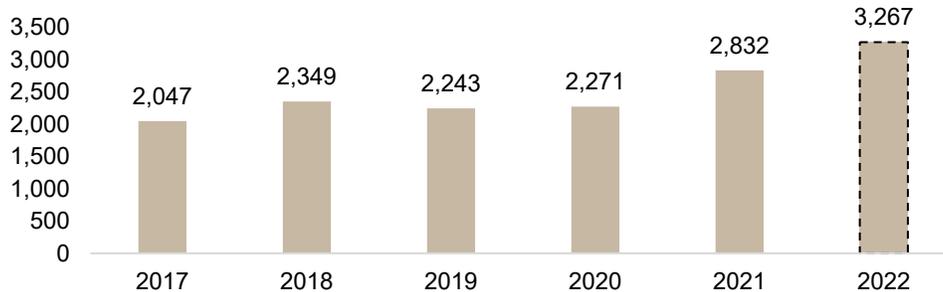
¹³ This includes one Fire Marshall

¹⁴ At the time of drafting this report, the Department had not yet released a 2022 Annual Report.



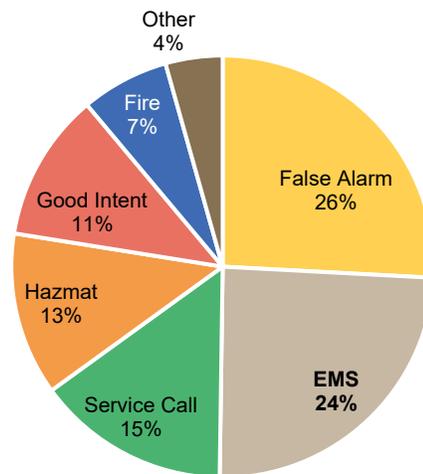
These career and volunteer firefighters are operating in an environment in which there is a growing demand for service. The volume of calls that the department received jumped from 2,047 in 2017 to 3,267 in 2022, a 59.6 percent increase. The largest year-over-year increases in call volume have occurred since 2020.

Call Volume, 2017 – 2022¹⁵



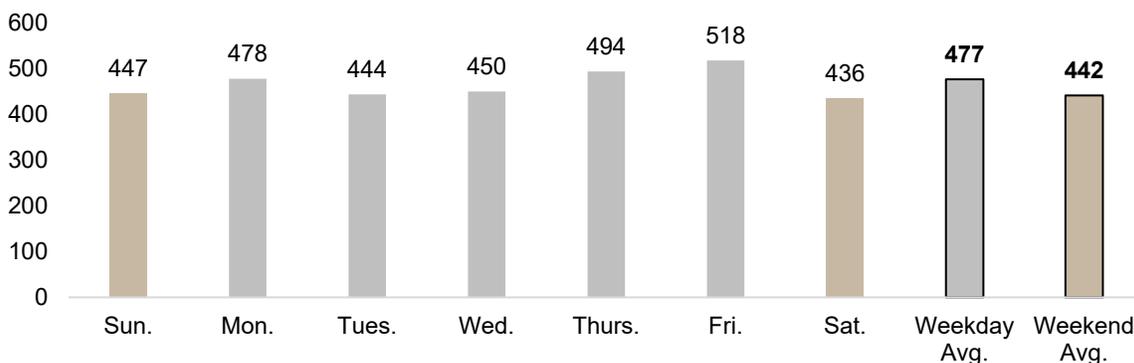
Aside from false alarms, requests for emergency medical services (EMS) are the most common call to which the department responded in 2022. Of the more than 3,000 service calls received in 2022, 804 (or 24.4 percent) were for EMS, versus just 6.7 percent for fires. EMS-related calls as a percent of the total increased from the 14 percent in 2020 as reported in the DCED study, to 24.4 percent in 2022 as reported by the Department.

Incidents by Call Type, 2022



Data from 2021 shows that there were 16.5 percent (or 70 fewer) incidents on average during Saturdays and Sundays, when volunteers staff all five stations. That still leaves hundreds of service calls fielded by volunteers each weekend. The difference in call volume between weekdays and weekends also appears to be shrinking. In 2022, Upper Darby had 7.4 percent lower call volumes on weekends. On average, Saturdays have the lightest call volume at 436 per day. But there is a slightly higher call volume on Sundays when the Township has volunteer coverage (447) than on Tuesday when the career firefighters provide coverage (444).

Incidents by Day of the Week, 2022



¹⁵ Call volume from 2017 to 2021 annual report. The 2022 number is the total of monthly reports from January to December 2022.



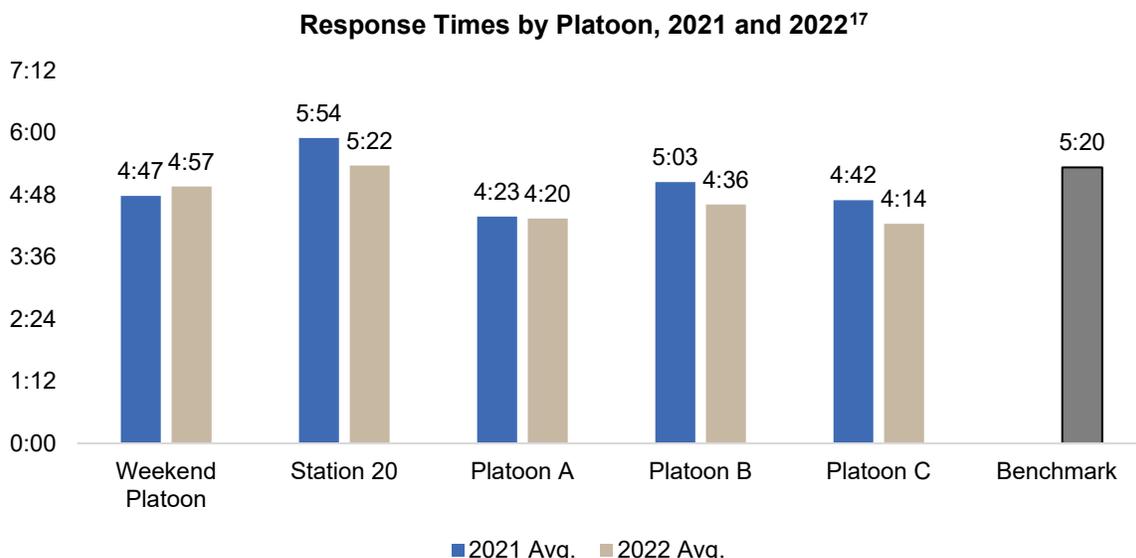
During our interview, the Fire Chief raised three concerns with this staffing structure, which match the problems described in the 2020 DCED study.

Concern 1: Slower response times on weekends

According to the National Fire Protection Association (NFPA), “Response time is critical when dealing with emergencies. Departments with staffing challenges may not be able to begin the initial attack two minutes after arriving on the emergency scene.”¹⁶

NFPA standards provide targets for response times and recommend staffing levels to help fire department meet those targets. Upper Darby Fire Department uses the NFPA recommended benchmark of 5-minutes-20-seconds (5:20) maximum for the first company to arrive.

According to the department’s monthly reports, the average response times ranged from 4:14 to 4:36 for the platoons staffed by career firefighters in 2022. The weekend platoon staffed by volunteers was also below the Department’s 5:20 benchmark, but at a slower time of 4:57. Station 20, which is staffed by volunteers throughout the week, had a response time of 5:22 in 2022.



This data shows that all platoons except those at Station 20 met the Department’s response time standards in 2021 and 2022. But the weekend platoons’ response times have increased while the career firefighter platoons’ response times have decreased.

Concern 2: Inadequate staffing for responding to large incidents

NFPA Standard 1710 recommends an initial alarm deployment of 15 firefighters for a low-hazard fire, 28 for medium-hazard, and 43 for high-hazard. The weekend roster of volunteers reviewed for this analysis (excluding those assigned to Station #20) had 28 individuals in 2021. Divided over two 24-hour shifts, each shift would only have 14 firefighters across all stations throughout the Township. While the volunteers at Station #20 would give the Township enough to meet the NFPA standard for responding to a low-hazard fire, it would be very difficult to respond to a medium- or high-hazard incident. Department leadership corroborated this concern, noting that, even if every volunteer firefighter is working, weekend staffing is insufficient to respond to incidents above a one-alarm fire. When those incidents occur, Upper Darby relies on mutual aid from surrounding fire companies.

¹⁶ NFPA Standard 1720

¹⁷ According to the Department’s annual report (2021) and monthly reports (2022).



It also would be unreasonable to assume that every volunteer will be fully available every weekend. When volunteers call out and weekend platoons do not have enough capacity to cover a shift, other volunteers may have to stay over and work 48 hours straight, or career firefighters are called to work on overtime. The Department estimates that it spends about \$30,000 on overtime for career firefighters to cover volunteer shifts on the weekends.

Concern 3: Difficulty recruiting volunteers and coordinating training

Recruitment and retention are challenges for volunteer fire companies nationwide, and the DCED study identified recruitment and retention as a weakness for Upper Darby as well.¹⁸

During a department interview, the Fire Chief said that the Township can recruit career firefighters through its compensation package. The Township also changed the minimum age to become a career firefighter from 21 to 18 and eliminated the requirement that a career firefighter have two years of volunteer service before joining the department. Meanwhile, volunteer recruitment is handled by each individual fire company according to the Fire Chief.

Training is another area where the career and volunteer firefighters differ. All career firefighters are EMS certified and some have additional specialized trainings such as water rescue. The volunteer firefighters are trained to Firefighter I level, and they are not required to obtain additional certifications in EMS, water rescue, or hazardous materials.

So, an all-volunteer platoon responding to a medical incident may need to wait for an ambulance instead of providing first responder medical care. As noted earlier, EMS calls account for almost a quarter of the total call volume and are much more common than fire responses. Training limitations also apply to hazardous material calls that outnumber fire responses almost 2-to-1.

FR01	Consider the challenges and opportunities related to fire staffing
Responsible parties	Mayor, Chief Administrative Officer, Fire Chief

DCED study recommendations

The 2021 DCED report recommended expanding career firefighter coverage to the weekends to guarantee the same level of service to residents throughout the week.

The study provided three scenarios to staff two new 24-hour weekend shifts on the weekends

- Scenario #1 provides four-person companies at all five stations, in compliance with NFPA standards
- Scenario #2 provides three-person companies at three stations and four-person companies at Stations 26 and 74
- Scenario #3 provides three-person companies at all five stations, though the study explicitly recommends against this scenario

The study does **not** recommend eliminating volunteer firefighters, acknowledging that they are a pillar of the Upper Darby Fire Department. Instead, the study suggests that volunteers be used to supplement

¹⁸ DCED Fire Study, page 18.



career companies by adding capacity for day-to-day incident responses, riding along with career staff on any shift, and manning additional apparatus for larger incidents.¹⁹

The Chief was clear in that he also does **not** recommend that the Department eliminate the volunteer companies. In his view, they play an essential role in increasing response capacity, building positive relationships with the community, and creating a pipeline for recruitment.

The 2021 study estimated the additional wages that the Township would have to pay for this coverage, which we have adjusted to match the salary levels described in other parts of this Plan.

DCED Fire Study Weekend Staffing Models²⁰

Title	Hourly Rate	Scenario #1 FTE	Scenario #2 FTE	Scenario #3 FTE
Deputy Chief	\$61.66	1	1	1
Station #36 Captain	\$56.04	1	1	1
Station #36 Firefighters	\$50.39	3	2	2
Station #37 Captain	\$56.04	1	1	1
Station #37 Firefighter	\$50.39	3	2	2
Station #26 Captain	\$56.04	1	1	1
Station #26 Firefighters	\$50.39	3	3	2
Station #20 Captain	\$56.04	1	1	1
Station #20 Firefighters	\$50.39	3	2	2
Station #74 Captain	\$56.04	1	1	1
Station #74 Firefighters	\$50.39	3	3	2
Cost per 24-hour shift		\$26,343	\$22,715	\$20,297
Annual cost to staff weekend shifts		\$2,739,666	\$2,362,378	\$2,110,853

According to these estimates, the cost of using career staff to man fire houses on the weekends would range from \$2.1 to \$2.7 million annually. The costing above provides the hourly rates for a combination of deputy chief, captains, and firefighters to staff two 24-hour shifts and assumes that the Department’s current roster of career firefighters could absorb the new weekend shifts. If that is not feasible, the Township would have to hire new fighters who would also carry additional costs for health insurance, equipment and any other types of compensation tied to headcount.

The Chief’s initial estimate is that the Township would have to add 12 additional full-time fire personnel (three captains, nine firefighters) to staff the weekend coverage under Scenario #1. Under Scenario #2 and #3 the department would still need to add three captains, but it could reduce the total number of firefighters by six and 12 respectively because the number of firefighters per company would be reduced below current levels.

The table below takes the initial estimate of salaries and wages; adds the Township’s share of additional payroll taxes, additional pension contributions, and shift differential associated with the new shifts; and then adds health insurance, holiday pay, and pension contributions²¹ for the additional staff. In Scenario #2 and #3, the Township would eventually spend less on costs tied to headcount, like health insurance and holiday pay, assuming headcount would be reduced through attrition down to the levels in the scenario.

¹⁹ DCED Fire Study p. 18

²⁰ DCED Fire Study p. 20

²¹ The estimated pension contribution is the product of the additional wages and the normal cost percentage for firefighters in the most recent pension valuation provided.



Estimated Cost of Full-Time Weekend Coverage

	Scenario #1	Scenario #2	Scenario #3
Salaries and Wages	2,739,666	2,362,378	2,110,853
Shift Differential	125,763	100,610	83,842
Holiday Pay	69,617	(15,031)	(48,891)
FICA	190,778	159,117	139,477
Pension	444,072	370,376	324,660
Health Insurance	438,102	(109,525)	(328,576)
Additional Cost	4,007,997	2,867,924	2,281,365

There could potentially be other costs beyond what is included in the table above. Overtime costs, for example, could increase depending on how the Department handles short staffing on weekends. If the Department defaults back to volunteer-only coverage during weekends when there are not enough career firefighters, there would be no additional costs and modest savings since career firefighters would generally not be called in to support volunteers. If the Department applies a minimum manning level to career firefighters on the weekend, then it is likely that the Department would incur overtime costs on Saturdays and Sundays, just as it does for weekdays.

Increased usage of materials and equipment for weekend coverage and training for new employees would add marginal costs to the high-level estimate presented above. There could also be additional costs if the Township began staffing career firefighters at Station 20 during the week²².

While the DCED study recommends adding career firefighters on Saturdays and Sundays at every station, we raise the possibility of making incremental progress in this direction by adding career coverage just on Sundays (when call volume is traditionally higher); adding career firefighters at some, but not all, stations; or adding part-time firefighters instead of full-time firefighters. Further study is needed to determine if any of these lower cost alternatives are operationally feasible and would provide any incremental improvement over the current level of coverage.

Next step: Discussing value and willingness to fund the costs

As this analysis shows, the cost of adding career firefighters to weekend coverage would be a significant investment if applied at the levels described in the 2021 DCED study. It may be possible to make incremental changes, like adding career firefighters one of the two weekend days or adding them to some but not all stations, and those incremental changes would have a lower cost. But, as the 2021 DCED study showed, the salary cost alone for one weekend of coverage is \$50,000.

The next step is for Township’s elected and appointed officials to discuss the value of making this investment. The Chief laid out good reasons to consider the investment – potential improvements in response times, better preparedness for large incidents, more consistency in training and retention. The Mission Chapter provides other reasons to consider this change. If Township leaders are focused on *creating a destination community with welcoming neighborhoods*, then they should discuss how much of a priority this investment is relative to other potential needs, like street paving or increased police staffing.

To make this tradeoff more tangible, the Township leaders and residents should discuss the following question:

Is adding career firefighter coverage on the weekends a high enough priority that we are willing to increase real estate taxes or start levying a resident earned income tax to pay for that investment?

²² Weekday staffing for Station #20 is not included in the table as it was not part of the DCED study. The costing assumes full-time weekend coverage for Station #20.



The Township will not be able to afford this investment by making marginal changes to its existing revenues and expenditures. Upper Darby can only generate the recurring revenue necessary to cover these recurring costs by increasing revenue from its largest source of locally generated revenue (the real estate tax) or adding a second one (the resident EIT). Just as Township leaders should consider the value of making this investment, Upper Darby residents should consider how much they are willing to pay for it.

Even with the Township's structural deficit and the substantial cost associated with this investment, there is a path toward eventually adding career firefighter coverage. It may have to occur more incrementally than presented in the 2021 study and will almost definitely require higher or new taxes. The next step is for Upper Darby's leaders and residents to decide how far down this path they want to go.



Economic and Community Development

According to the proposed mission statement, Township government should help make Upper Darby a more attractive place to live, work and visit:

*To be a world class provider of municipal services and a **destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community.***¹

The Township should have a community and economic development strategy that defines goals like “destination community” and “thriving business districts” with more precision than we can here. That strategy should be informed by an in-depth evaluation of the community’s strengths (*what makes Upper Darby a destination?*) and its weaknesses (*what prevents us from having welcoming neighborhoods or thriving business districts?*). Once there is greater clarity around these goals and obstacles, Township officials can discuss the specific ways in which Township government itself, as “a provider of municipal services,” can help the community capitalize on its strengths and address its weaknesses. The table below puts shows how these concepts relate to each other.

Mission	<i>A world class provider of municipal services and a destination community for residents and businesses, with welcoming neighborhoods, thriving business districts, and vibrant public spaces, by modernizing, reinvesting in and revitalizing our community</i>	
Mission Statement Components	Destination community for residents and businesses	Welcoming neighborhoods, thriving business districts
Obstacles	What draws residents and businesses to Upper Darby? What discourages or prevents them from locating in Upper Darby?	What prevents Upper Darby from having welcoming neighborhoods or thriving business districts?
Goals	What can Township government do to make Upper Darby a more attractive destination community?	What can Township government do to foster welcoming neighborhoods and thriving business districts?
Strategies	Specific actions that specific departments will take to make Upper Darby a more attractive destination community	Specific actions that specific departments will take to foster more welcoming neighborhoods and thriving business districts

¹ Emphasis added
Township of Upper Darby
Multi-Year Financial Plan



Destination community

As a destination community, Upper Darby should have competitive advantages over other communities in the region, something that causes residents and businesses to choose to locate here. The Township's 2018 Comprehensive Plan references some of those competitive advantages when it describes Upper Darby as a 'bedroom community' with diverse housing stock and walkable neighborhoods.² Bedroom communities refer to places where residents live but do not work, and this holds true for Upper Darby. Census data from 2020 shows that 92 percent of Upper Darby's employed residents commute out of the Township for work, leaving just 3,000 (8 percent of 35,000) who live and work in Upper Darby.³

Upper Darby Township is also unique relative to the other Delaware County municipalities by virtue of its size and demography. It is the largest municipality by population and its population density is much closer to Philadelphia's than surrounding Delaware County municipalities.

Upper Darby is more racially and culturally diverse than its neighbors – more than a quarter of Upper Darby residents speak a language other than English at home, and over half identify as a race other than white. Residents surveyed as part of the 2018 Comprehensive Plan responded that cultural and population diversity were two of the 20 most valued assets in Upper Darby. At the same time, a diverse population has different needs – the survey also found that a priority for Upper Darby was breaking down cultural and language barriers.⁴

Comparative Demographic and Economic Characteristics, 2021⁵

	Population	Pop. per sq. Mile*	Median Income	Mean Income	% Other Language	% Identify as White ⁶
Marple	24,070	2,374	\$117,116	\$155,478	17.0%	82.4%
Springfield	24,851	3,966	\$123,280	\$140,324	7.8%	89.0%
Radnor	33,408	2,413	\$139,076	\$202,004	17.0%	80.4%
Haverford	50,111	5,071	\$114,554	\$147,748	9.3%	88.3%
Upper Darby	84,986	10,950	\$61,950	\$80,867	26.5%	45.7%
Delaware County	573,883	3,138	\$80,398	\$113,651	12.9%	66.6%
Philadelphia	1,596,865	11,937	\$52,649	\$77,454	23.7%	38.5%

*Population per square mile is from the 2020 Decennial Census

Township leaders believe that this profile – more urban, more diverse, more walkable than other Delaware County suburbs – enables Upper Darby to offer retail, dining, and other recreational experience that compares favorably to mall, big box store, or online shopping experience prevalent in other suburbs.

The Township also has a unique asset in SEPTA's 69th Street Transportation Center. Located at 6901 Market Street, the Center is one of the region's largest transportation hubs. It connects SEPTA's trains, buses, and trolley services that bring thousands of non-residents into Upper Darby every day. Census data from 2020 shows that a majority (83.5 percent) of the 17,000 jobs in Upper Darby Township were held by commuters, and about 4,000 of these commuter jobs (or 29.4 percent) were in trade, transportation, and utility industries.⁷

The large number of people who commute to Upper Darby via public transit creates a natural market for transit-oriented development, with complementary retail, residential, and commercial properties clustered

² Upper Darby Comprehensive Plan, 2018 <https://www.upperdarby.org/ComprehensivePlan>

³ Census Bureau, 2020 Decennial Census

⁴ Upper Darby Comprehensive Plan, 2018, p. 55-56

⁵ Census Bureau, American Communities Survey 5-Year Estimates, 2021.

⁶ Percentage of residents who only identify as one race. If a resident identifies as white and another race, they are not counted here.

⁷ Census Bureau, Inflow/Outflow Analysis in 2020 by Primary Jobs

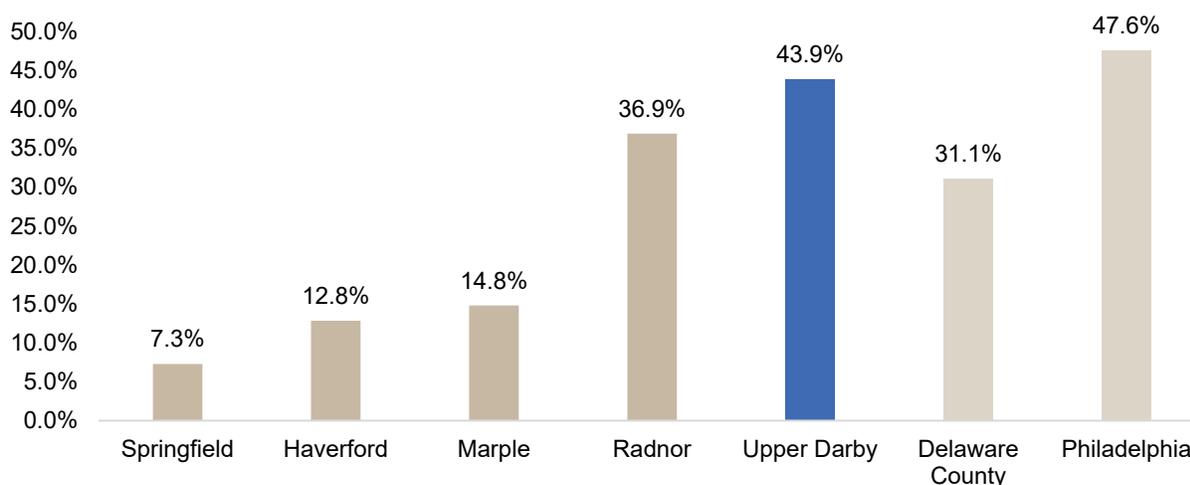


along the railway. It also creates an opportunity to develop housing, so the commuters who currently leave Upper Darby at the end of the workday live here instead.

Proximity to public transit also creates competitive advantage by giving Upper Darby's residents easier access to job opportunities in Philadelphia and other places. A larger percentage of Upper Darby residents rely on public transit for their commutes compared to other neighboring municipalities – census data shows that 15.9 percent of employed Upper Darby residents use public transportation to get to work, compared to 8.0 percent in Delaware County as a whole.⁸

While Upper Darby has a wide range of housing options, from single-family homes like those found in Drexel Hill to multi-unit rental properties, the Township has a higher concentration of renters than its neighboring municipalities in the county. According to the census five-year estimates, 43.9 percent of housing units in 2021 were occupied by renters. This is closer to the share of renters in Philadelphia (47.6 percent) than surrounding Delaware County municipalities. As we discuss later in this chapter, this means that Upper Darby needs to take a different approach to code enforcement than its Delaware County neighboring municipalities.

Percentage of Housing Units Occupied by Renters, 2021⁹



Welcoming...vibrant...thriving

The proposed mission statement uses these terms to describe Upper Darby's aspirations – *welcoming neighborhoods, thriving business districts, and vibrant public spaces*.

There are different ways to define these terms, but the common thread is that Upper Darby aspires to be a **growing community that attracts new residents, businesses, and visitors**. A *stable* community has flat population growth and sustains its existing businesses. A *growing* community welcomes new residents and has a thriving market that draws new businesses.

Meaningful growth should be measurable, and it should translate to increases in the Township government's revenues (increased assessed value of taxable property, increased business privilege revenues, increased parking revenues) and potentially the Township's expenditures (increased demand for certain services like permit review or parking).

The data that we examined during this engagement paints a different picture:

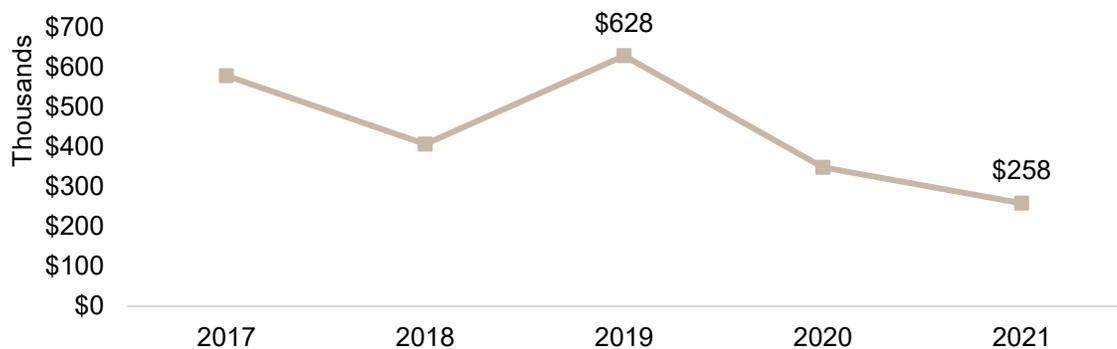
⁸ Census Bureau, American Communities Survey, 5-year Estimates, 2021

⁹ Census Bureau, American Communities Survey, 5-year Estimates, 2021.



- From 2011 to 2020, the Township’s taxable assessed value remained relatively flat, shrinking at an average annual rate of 0.2 percent. In 2021 Delaware County completed a reassessment and taxable assessed values in Upper Darby rose 62.8 percent. Stagnant taxable assessed values outside of a reassessment year indicates that there are few new building projects or significant improvements to existing structures.
- While the Township offers a Local Economic Revitalization Tax Assistance (LERTA) provision to incentivize commercial development,¹⁰ there was only one application to use this program between August 2021 and December 2022.
- Between 2017 and 2021, building permit revenue fluctuated between \$200,000 and \$600,000 depending on the number and size of building projects. Building permit revenue dropped at the outset of the pandemic in 2020 and did not recover in 2021.

Building Permit Revenue, 2017 – 2021



- Parking revenues dropped from \$862,000 in 2017 to \$794,000 in 2019, before COVID-19 reduced them even further to \$484,000. Revenues rebounded to \$777,000 in 2021, but that continues the negative trend that existed before the pandemic.
- The local services tax (LST) is a flat charge on each person who works in Upper Darby, regardless of their residency, provided the person’s income exceeds a minimum amount. LST revenues were flat between 2017 (\$715,000) and 2021 (\$706,000), and this was also true of the three-year period before the pandemic occurred.

This is not a comprehensive set of data points for measuring growth, and there are possible explanations other than lack of growth for some of these trends. For example, it is possible that there is growth in assessed value of non-taxable property that does not appear in the tax roles or that the absence of LERTA activity is because the program is not well known or understood throughout the community.

But the flat or negative trend across several data points suggests that Upper Darby is not growing, or at least not in a way that translates to the Township’s tax base. That type of growth is critical because there is no path to balancing the Township government’s budget on a recurring basis without revenues growing at the same rate as expenditures, and ideally that growth should happen without repeated tax increases. Plus, growth-driven revenue will help offset the additional growth-driven costs associated with having more residents, more commuters, more businesses, or more visitors.

One leader theorized that Upper Darby’s limited growth is due it being a dense, fully built-out community, without any open plots available for new construction. In other words, Upper Darby has used its available

¹⁰ Please see the initiative section of this chapter for more information.



space to build *out* so it should now focus on building *up*, such as adding multi-family residential units above and around commercial places.

This approach would lean into Upper Darby’s unique profile as a suburban community with a high population density. This leader also recognized that this approach may not be universally supported, citing potential concerns that increasing the population could create challenges for the Upper Darby School District that already feels pressure to compete with smaller, better resourced districts in neighboring municipalities.

As this tension demonstrates, not all growth is complementary or maybe even desirable. Our first recommendation is that the Township use the data it has collected – and improve data collection where needed – to inform discussions between community members around how Township government itself can help make Upper Darby a destination community and stimulate growth. As noted at the start of this chapter, that will require defining some of these terms more carefully and deciding which types of growth are the higher priority. Township government has limited financial and human resources (including its own staff’s time), so it is not feasible to try to grow in every way, everywhere, all at once.

The other Plan recommendations in this section take efforts that have already begun and recommend next steps. We also encourage the reader to review the capital improvements section that includes strategies for creating “vibrant public spaces.”

Initiatives

ED01	Create data dashboard for key growth metrics
Responsible parties	CAO with support of multiple parties

To execute on its vision for economic development and become a vibrant, welcoming, thriving community, the Township needs to invest its limited resources strategically and know that its investments are impactful. To make smart investments and know they are working, the Township needs to use data.

Data collection and analysis is crucial for this type of performance management. The Township can take the mission statement, break it into components, and then identify available data points that measure workload and service demands (input measures), productivity and activity (output measures), and the degree to which the Township is achieving its mission (outcome measures).

Here is an example for demonstrative purposes, acknowledging that there are different ways to answer the questions posed and measure results.

Upper Darby leaders have emphasized the importance of creating “welcoming neighborhoods.” How do you define a welcoming neighborhood?

- A welcoming neighborhood is clean, well-maintained (in terms of public and private spaces) and safe
- A welcoming neighborhood attracts a wide range of people to live, work and recreate who feel welcome there
- A welcoming neighborhood has quality, affordable housing available to meet the demand of people who want to move there



How do we measure whether a neighborhood is clean, well maintained, and safe?

- Input measures: Complaints from residents regarding missed trash pickups...illegal dumping incidents/sites...number of code violations reported or identified by staff...number of blighted properties...number/types of calls for police or fire responses...condition of streets, street signs, parks
- Output measures: Number of non-scheduled trash pickups...volume of trash collected through street sweeping or illegal dumping clean-ups...response times for police, fire and code calls for service...code citations issued...building demolitions...potholes filled, street signs repaired/replaced, park maintenance projects completed
- Outcome measures: Percentage of properties in compliance with maintenance codes...residential satisfaction surveys...crime rates...occupancy rates

In our example, the term “welcoming neighborhood” is broad enough that we would draw on data from several departments – code enforcement, police, fire, public works, refuse collection. Some of these data points already exist and others would have to be added over time, as technology and work processes allow. The data should then be organized into a format that is easily understood by a wide audience, shows changes over time, and is focused on what it means for Township government. In some cases, discussions should focus on the ultimate, actionable outcomes. In this case, the conclusions should give specific answers to the question, “What can each department in Township government do to help create more welcoming neighborhoods?”.

While individual departments should help collect and present the data, the CAO (or Deputy CAOs) should take the lead in presenting it and ensuring that discussions are focused and actionable.

ED02	Conduct proactive code enforcement
Responsible parties	Division of Licenses and Inspections

Code enforcement is one important tool for fostering welcoming neighborhoods and vibrant, clean public spaces. Having an effective code enforcement strategy helps to promote safe, clean neighborhoods. There is even evidence to suggest investing in physical space can reduce crime. Several studies in Philadelphia found that place-based environmental investments like structural home repairs, remediating abandoned homes, and vacant lot beautification reduced the rates of crime.¹¹ Inversely, blighted and abandoned properties can trigger a cycle of more blight as residents and businesses move out of an area leaving more abandoned properties.

Upper Darby’s Code Enforcement division is responsible for ensuring all properties comply with maintenance standards. Common code issues include keeping grass and weeds at a prescribed height, proper handling of trash and debris, and maintaining curbs and sidewalks.¹² The Department of Licenses and Inspections acknowledged that, because of staffing limitations, its approach to code enforcement is primarily reactive (i.e., responding to complaints) rather than proactive.

This reactive approach creates blind spots if some residents are less likely to report safety concerns and violations. Township leaders noted that renters may be less likely than homeowners to proactively report code violations, and that that some absentee landlords do not address safety and quality-of-life issues

¹¹ Cited in Brookings Institute’s, *A new community safety blueprint: How the federal government can address violence and harm through a public health approach*. <https://www.brookings.edu/essay/a-new-community-safety-blueprint-how-the-federal-government-can-address-violence-and-harm-through-a-public-health-approach/>

¹² Upper Darby website, Code Enforcement <https://www.upperdarby.org/CodeEnforcement>



quickly. Because of the high proportion of renters, the Township cannot rely on a reactive strategy for code enforcement. Instead, it should proactively monitor the Township’s streets, buildings, and sidewalks for violations.

The Department of Licenses and Inspections is currently phasing in its Focus Zone Program, which is an initiative to target one neighborhood at a time to address violations before they are reported. The Focus Zone Program also allows homeowners to correct violations before they are cited to make the process less punitive and more focused on remediation.

The Focus Zone program is a good first step to make code enforcement more strategic and proactive. In addition to addressing the immediate health and safety concerns, active enforcement can also have the added benefit of coordinating the Township’s other economic development initiatives. For example, landlords are required to obtain a rental license and pay business privilege taxes, however this may not be happening consistently if the Township is not aware that certain properties are being rented out. Because the Focus Zone program places inspectors directly in the neighborhoods, there is an opportunity for them to create an up-to-date database of rental properties and enforce licensing and inspection requirements. The database can also be shared with the tax office to ensure landlords are paying the taxes that they owe.

Translation services

As noted earlier, Upper Darby’s cultural diversity makes the Township unique among its Delaware County neighbors, and it is proof that Upper Darby is living out its mission of being a “world class” community with “welcoming neighborhoods”.

That diversity also means that Township government must adapt to be effective. A higher percentage of Upper Darby residents speak a language other than English (26.5 percent) than Philadelphia residents (23.7 percent), and one person estimated that close to 100 languages and dialects are spoken at Upper Darby High School. Translating every Township document into every language is not practical, but it is important that the Township build on the work of its Welcome Center that helps immigrants acclimate to their new homes.

The Township should translate the licenses and inspections documents that are most frequently used and most important to health and safety, including those related to code enforcement, into the most commonly spoken languages. That will help improve the quality of life for its residents and increase non-tax revenues.

ED03	Evaluate LERTA program
Responsible parties	Mayor and Council; Finance; Licenses and Inspections

Upper Darby’s administrative code establishes a Local Economic Revitalization Tax Assistance (LERTA) program, which is a tax abatement authorized under Pennsylvania law. LERTA programs typically abate real estate taxes on the value of improvements made to eligible properties as an incentive for the property owners to invest in them. LERTA programs vary in terms of:

- Types of property improvements covered – commercial, industrial, residential, etc.
- Geographic coverage – Offering the program throughout the municipality or using the program to incentivize investment in specific neighborhoods
- Length of abatement – Typically five or 10 years
- Degree of abatement – Full abatement on the value of improvements versus declining abatements over time (100 percent in the first year; 75 percent in the second; etc.)



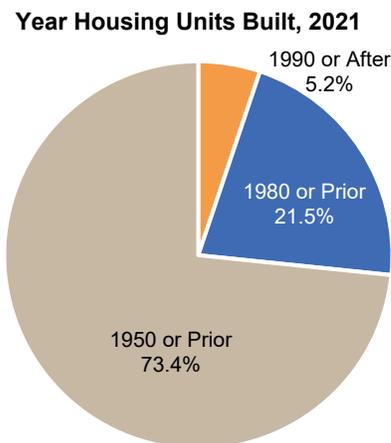
Upper Darby's LERTA program applies to improvements made to deteriorated *commercial* properties where the value of the improvement is *at least \$25,000*. Eligible properties receive abatements *on a sliding scale over five years*, starting at 100 percent in year 1 and declining to 20 percent in year 5. The Township does not have a LERTA program that applies to residential properties.

In conversations with the Township's Department of Licenses and Inspections, we learned that the Township has not encouraged or promoted this program. Between August 2021 and December 2022, the Township only received one LERTA application. If that very low level of participation in the program is typical, then it signals that the program is not well known or not attractive. In either case, it is not very effective.

Ensuring that commercial property owners are aware of and use the current program is a logical first step so Upper Darby gets more value out of what is already in place.

The Township should also discuss whether the LERTA program should be amended. Leaders and stakeholders in the Upper Darby School District should be involved in these discussions since real estate tax is one of the District's primary sources for funding schools.

The Township should consider whether to shift program eligibility from commercial to residential properties, given the age of Upper Darby's housing stock and the Township's "bedroom community" profile. The Township would not need to offer this tax benefit throughout the entire Township or to every type of property for it to be effective. For example, if the goal behind the program is to improve the quality of rental properties, perhaps the abatements could be targeted to multi-unit properties or those in neighborhoods where vacant rental properties are predominant.



Here are some guiding questions for this discussion:

- What type of property improvements does the Township want to incentivize? Where geographically does the Township want to incentivize improvements?
- Once those targets are identified, what are the specific obstacles for property owners in those neighborhoods to invest in their properties? Are those obstacles financial such that a tax abatement would make development more likely? Or are there other obstacles, such as zoning limitations or lack of market demand, where offering tax abatements is not an effective response?
- What is the likelihood that LERTA will incentivize development that would not otherwise occur, as opposed to providing a tax break for development that would occur without it?

The third question is especially important because it determines the extent to which LERTA's benefits outweigh its costs for Township government and Upper Darby's residents.

Tax incentives that spur new development – improvements that would not have occurred without the tax break – can bring new residents or businesses to a neighborhood, improve the quality of life for current residents and businesses, and start a ripple effect where improvements at one property incentivize owners of adjacent properties to make similar investments. In those instances, the program arguably has very little cost in terms of waived tax revenue since, absent the program, the development would not have occurred. In Upper Darby's case, the sliding scale ensures that the Township is receiving most of the revenue associated with development after three years.



However, if tax incentives are provided to property owners who were already going to make the investment, even without LERTA, then the program has very little benefit relative to the costs. In those cases, the Township is waiving revenue it would have received and shifting the tax burden to other property owners.

Finally, while the Township can discuss several variations on the LERTA concept, at this point we do **not** recommend that the Township expand the length of the LERTA program to 10 years or that the program be offered for all improvements throughout Upper Darby.

Because the Township does not use the earned income tax authorized under Commonwealth law, it is very reliant on the real estate tax. As the Financial Condition Assessment describes, the Township cannot afford to waive the very marginal growth in revenues from the one locally controlled source that Upper Darby currently uses. If the Township decides to use the earned income tax, then a more expansive LERTA program may eventually become feasible.

ED04	Continue engaging the Township's business community
Responsible parties	Mayor, Council

In order to have thriving business districts and transform from a *bedroom* community into a *destination* community for non-residents, Upper Darby Township must grow its commercial activity. Township leaders should engage with the business community in Upper Darby to determine what their needs are, understanding that Township government has limited tools to encourage commercial activity. Some of these tools may include:

- **Parking:** Building additional parking garages or lot; changing costs and time restrictions to encourage more turnover in front of businesses;
- **Code Enforcement:** Increasing proactive code enforcement in commercial districts to increase improve cleanliness in private spaces
- **Public Safety:** Adding street lighting; expanding use of foot and bicycle patrol; strengthening relationships between local business leaders and police officers
- **Cleanliness:** Increasing the frequency of trash collection; adding and maintaining public trash cans in commercial districts, or street sweeping.

Township government can be a partner for the business community by coordinating its departments' responses to business-owner concerns. For example, businesses in certain areas may benefit from additional trash pickup or more on-foot police patrol. The Township should meet with local business leaders and determine how they can best support thriving, welcoming business districts.

As discussed in the Financial Condition Assessment chapter, the Township is not in a position of financial strength and the additional services that the business community needs to thrive may exceed what the Township can currently afford. Where government is not able to meet the needs of the business community, businesses can pool their resources collectively for the purposes of economic development through special service districts like business improvement districts (BIDs).

A BID is typically a group of properties or businesses in a specified geographic area that have a share goal of economic development and/or promoting commercial activity. Traditionally, BIDs levy a mandatory tax on businesses in property owners in the district and use the proceeds to pay for services above and beyond what their local government can provide.



Some of these additional services may include more trash cans, beautification, supplemental security, or strategic planning.¹³ The Lancaster City’s Downtown Improvement District (DID), for example, employs ambassadors who patrol and clean the streets seven days per week. The DID also plants and maintains street trees and holds community events in Lancaster’s downtown.¹⁴

The Township has already begun to foster relationships between businesses through creation of the Friends of the Tower Theaters District (FTTD) special service district. The District was created to promote community and economic development, create vibrant and comfortable public space, and preserve the Tower Theater, a historic landmark in Upper Darby. The District prioritizes cleanliness, safety, assisting current businesses, and attracting new businesses to the area. Unlike a traditional BID, FTTD was created by Upper Darby Township government and it does not levy a tax.

The Township should explore whether the FTTD model can be replicated elsewhere in Upper Darby. Township leaders should ask:

- What other commercial corridors exist, possibly surrounding another one of the Township’s anchor institutions?
- What service gaps exist for these commercial corridors? Or what hurdles do these areas have to becoming thriving business districts?
- What is the best way to engage businesses in these corridors – is this through a similar model as the FTTD?

Even if the Township is not able to directly provide additional services, it can act as a liaison between businesses, create BIDs or other special districts, or encourage coordination between businesses in other areas in the Township.

¹³ Delaware Valley Regional Planning Commission, Main Street Programs and Business Improvement Districts (BIDS), <https://www.dvrpc.org/products/mit002>

¹⁴ Lancaster City Alliance, Downtown Improvement District website, <https://lancastercityalliance.org/downtown-investment-district/>

