



Strategic Management & Planning Program Five-Year Financial Plan Summary

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Purpose

- Develop a multi-year financial plan to strengthen South Coatesville's fiscal position and address priority needs
- Develop an emergency plan to address near debt default at end of 2024
- Assess current financial condition
- Analyze multi-year results rather than a single year snapshot
- Recognize trends and developments influencing future revenue and expense patterns
- Establish baseline five-year financial forecasts (assuming trends remain the same and no corrective action is taken)
- Identify corrective action to improve multi-year forecast
- Organize building blocks into the five-year financial plan

Summary Findings

- South Coatesville has experienced persistent operating deficits indicating severe, long-term fiscal distress.
- It is difficult to fully understand the causes and severity of the Borough's historical structural budgetary imbalance due to poor record-keeping.
- However, the Borough's fiscal distress is ultimately a result of management infrastructure deficiencies and the inability of a relatively stagnant tax base to fund the increasing costs of fundamental municipal services.
- In late 2024, the Borough's fiscal situation came to a head resulting in a cash emergency and imminent debt default. The Borough executed an "Unfunded Debt" borrowing, which avoided a default, but increased future debt service costs.
- The Borough took significant steps to correct its structural deficit by implementing expense cuts and imposing a 38% real estate millage rate increase.
- The Borough substantially reduced the Police Department budget; restructured the management office; and basically eliminated discretionary spending. These actions have improved the Borough's budget position; however, service capacity was materially affected.
- Moreover, after increasing real estate taxes in 2025, the Borough has one of the highest tax rates in the County and limited ability to raise future tax rates to support the budget.
- The Borough faces the challenge of rebuilding its management infrastructure and providing essential municipal services within restrictive fiscal parameters.

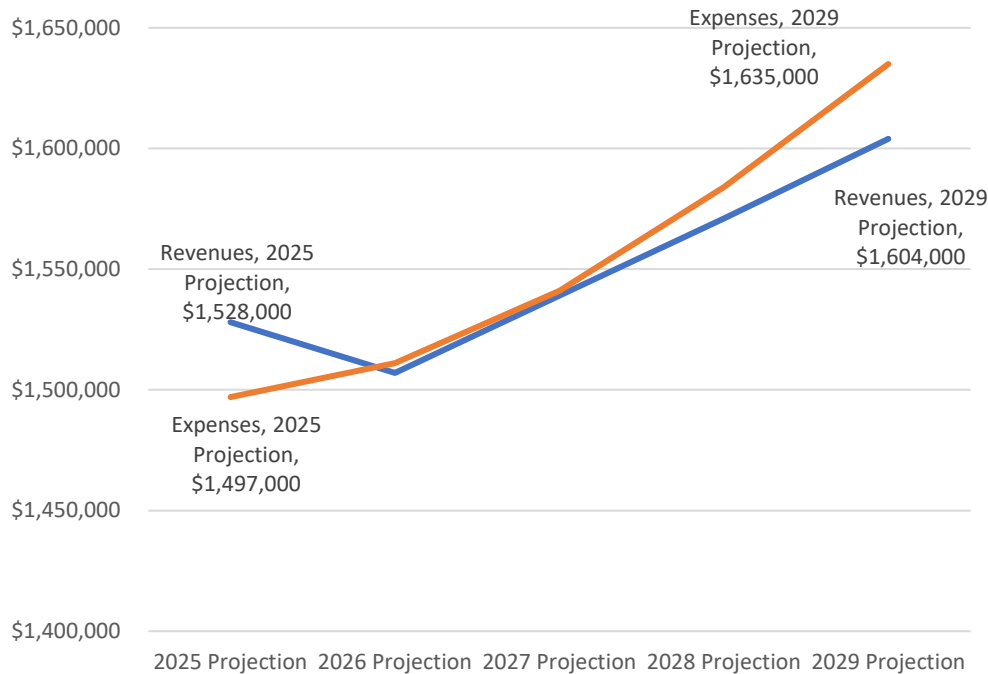
General Fund Overview, 2020-2023, 2024 Budget

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Budget
Recurring Revenues	\$1,383,644	\$980,944	\$1,293,504	\$1,466,734	\$1,381,615
Operating Expenses	\$1,475,180	\$1,421,284	\$1,372,374	\$1,608,477	\$1,370,836
Surplus (Deficit)	(\$91,536)	(\$440,340)	(\$78,870)	(\$141,743)	\$10,779
Sale of Assets	\$0	\$0	\$13,500	\$0	\$220,000
Sewer Fund Loans	\$0	\$0	(\$58,358)	(\$53,495)	\$60,000
Interfund LFF Activity	\$0	\$0	\$0	\$0	(\$58,358)
Net Surplus (Deficit)	(\$91,536)	(\$440,340)	(\$123,728)	(\$195,237)	\$232,421

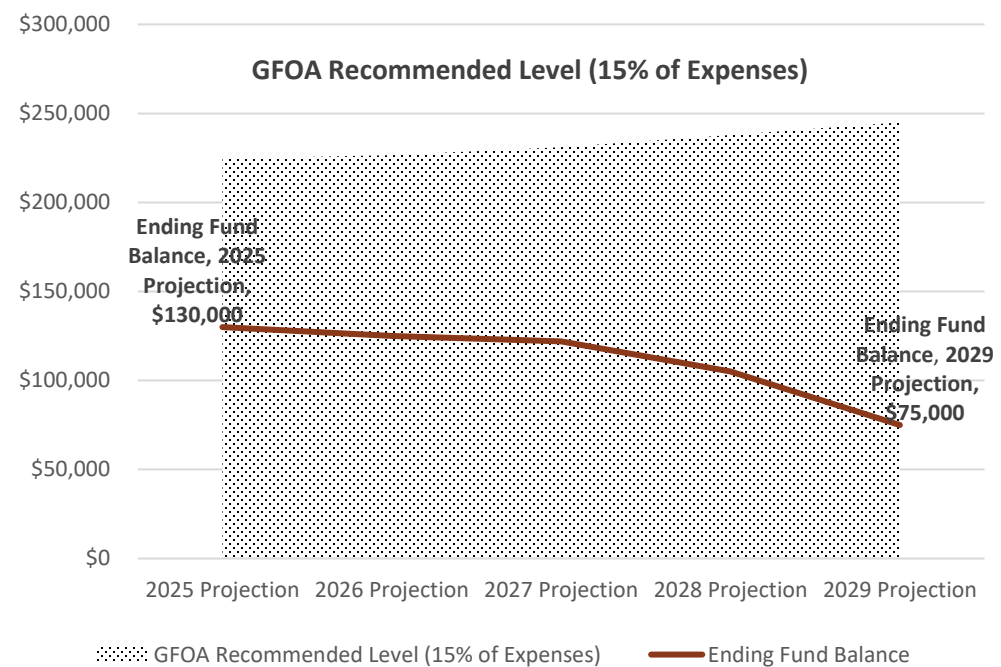
- South Coatesville has experienced persistent historical operating deficits indicating severe long-term structural budgetary imbalance.
- The Borough has employed various strategies to manage fiscal distress while seeking to limit real estate tax millage rate increases, including interfund transfers, the reliance on non-recurring revenue sources, and the deferral of capital maintenance and investment.
- An unfunded debt borrowing was executed in late 2024 to manage a cash emergency and avoid a near default on a TAN. Future debt costs will place additional pressure on the tax base.

General Fund Baseline Five-Year Projections

Baseline Revenue and Expenditure Projections, 2025-2029



Baseline Fund Balance Projections, 2025-2029



- Although the financial outlook depicts manageable operating deficits, the Borough is projected to remain operationally and fiscally distressed.
- The 2025-2029 projection conservatively estimates the introduction of roughly 130 homes over multiple years, resulting in growth in real estate tax revenue and EIT collections.
- The baseline forecast assumes the Borough maintains the current level of services, which includes limited police service, property maintenance enforcement, parks and recreation programming, public works staffing, and other amenity services.

Key Recommendations

- Strengthen Administrative Capacity
 - Seek STMP Phase 2 Support for a Full-time Borough Manager
 - Hiring a skilled, qualified full-time manager is one of the most important steps the Borough can take to resolve its administrative capacity deficiencies
 - Increase Finance Administration capacity; if Borough does not realize the productivity it needs, conduct an RFP process for third-party financial management support
 - Engage a Third-Party Provider for Pre-Auditing Services (possible STMP Phase 2 support)
 - Borough has not completed an audit since 2021; capacity to catch up and address the other recommendations in this report is insufficient
 - Pursue STMP Phase 2 Funding to Develop a Multi-Year Capital Improvement Plan
- Fiscal Discipline
 - Establish a Policy Requiring Fund Balance Levels Equal to 15% of General Fund Expenses
 - Tax increases are sometimes unavoidable and even justified; however, the Borough should prioritize other budget corrective measures
 - Assess a reduction in sewer fees to more appropriately align with operating costs and reduce the overall tax and fee burden on residents and businesses

Key Recommendations

- Seek Regionalization/Intergovernmental Cooperation Opportunities and Assess Service Levels
 - Seek Police Service partnerships
 - Current police department staffing levels are inadequate for 24/7/365 coverage
 - Evaluate Municipal Merger/Consolidation
 - A full merger/consolidation with another municipality would potentially result in more economies of scale than partnering for a single service, but the process is more complicated and takes more time
 - Restore Fire and Emergency Service Millage to 1.25 mills
 - Borough does not contribute nearly as much as other communities served by Modena Fire Company on a per call basis
 - Assess Alternatives to Municipal Managed Trash and Recycling Services
- Asset Optimization
 - Borough has already engaged a third-party financial advisor to assist on a potential monetization of the Sewer System
 - Financial benefits must be weighed against the loss of control and other negative implications of a monetization

Revised General Fund Financial Forecast

	2025 Projection	2026 Projection	2027 Projection	2028 Projection	2029 Projection
Revenues	\$1,528,000	\$1,507,000	\$1,539,000	\$1,571,000	\$1,604,000
Total Expenses	\$1,497,000	\$1,511,000	\$1,541,000	\$1,584,000	\$1,635,000
Surplus (Deficit)	\$31,000	(\$4,000)	(\$2,000)	(\$13,000)	(\$31,000)
Plan Initiatives	(\$2,500)	\$75,500	\$32,667	\$37,333	\$46,500
Revised Surplus	\$28,500	\$71,500	\$30,667	\$24,333	\$15,500
Ending Fund Balance	\$129,000	\$201,000	\$232,000	\$256,000	\$272,000
Fund Balance as % of Op Exp	9%	13%	15%	16%	17%

- If all recommendations are fully implemented, the Borough will achieve operating surpluses, maintain a sufficient fund balance position, and strengthen service levels.
- The Five-year plan should be reviewed and updated on an annual basis; actual experience will likely deviate from current day assumptions.
- Projections will need to be revisited regularly; there is more risk/uncertainty with the Borough's fiscal outlook than other communities in the STMP program.

Conclusion

- This plan describes several keys to achieving the Borough's strategic fiscal goals.
 - Improve administrative capacity and management infrastructure
 - Pursue intergovernmental solutions (i.e. partnerships and merger/consolidation)
 - Maintain fiscal discipline by adopting and adhering to a fund balance policy
- The plan also recommends STMP Phase 2 funding to support implementation.
 - The Borough should aim to submit a Phase 2 application by mid-June
- Financial reporting is a priority; the Borough must be confident that it is not facing another year-end cash short-fall and a TAN is not necessary in early 2026.
- Borough council should review the projections and their assumptions and discuss throughout the 2026 budget process before final implementation.
- The Borough's performance compared to the plan should be revisited annually as part of the budget process and adjusted appropriately given changes in assumptions or deviations from projections.