



FINANCE COMMITTEE

CITY COUNCIL

MONDAY, MARCH 2, 2009

CITY COUNCIL OFFICE

5:00 p.m.

AGENDA

Committee: J. Waltman, Chair, S. Fuhs, M. Baez

COMMITTEE OF THE WHOLE

1. Bernhart's Park 5:00 pm

FINANCE COMMITTEE

1. Parking Fine Breakdown 5:30 p.m.

2. Review Revised 2009 Budget & Proposed Amendments 5:50 p.m.

3. Update - Findings from 2008 External Audit (City Auditor) 6:30 pm

Note: At Feb Meeting, Committee directed the Auditor and Administration to select 3-4 repeat findings and resolve them by the end of 2009

4. Water – Utility Billing – IT Services 7:00 p.m.

Note : At Feb Meeting, Committee directed that if that Administration did not cure problems within 30 days, Council would vote to audit the IT Office or seek the outsourcing of the IT function

5. Discuss - City Core Services, Programs

7:30 pm

a. Areas of focus

b. What we should no longer focus on

c. Cost of selected programs and services

Note: Discussed at Feb Meeting – Call Center, Library, Recreation, BCTV

6. Charter Amendment – Budget

8:00 pm

- Limitations/restrictions default budget

Suggested Charter Amendment:

§905. City Council Action on Budget.

3. Adoption. Council must adopt an annual budget by no later than December 15 of the fiscal year currently ending. ~~If Council fails to adopt a budget by December 15 then the Mayor's original proposed balanced budget shall become the official budget of the City for the ensuing fiscal year.~~ (Charter, 11/3/1993, §905)

§902. Submission of Balanced Budget and Capital Program.

On or before 90 days prior to the ensuing fiscal year the department heads will submit proposed budget and capital program to the Managing Director. On or before 60 days prior to the ensuing fiscal year the Mayor will submit to the City Council a balanced budget, capital program, and an accompanying message. The proposed balanced budget and capital program shall be in such form as the Mayor deems desirable, unless otherwise required by Council. (*Charter, 11/3/1993, §902*)

§903. Budget Message.

The budget shall be accompanied by a message which shall include:

- A. An explanation of the expenditures and revenues in the proposed budget, indicating and explaining major changes from the current year and the prior year.
- B. An outline of proposed programs and an explanation of new, expanded, or abolished programs or functions.
- C. A summary of the City's debt position.
- D. Such other material that will inform the Council and the public of municipal goals.

(*Charter, 11/3/1993, §903*)

§904. Budget.

The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year in accordance with all generally accepted accounting principles and, except as required by this Charter, shall be in such form as the Mayor deems desirable or the Council may require. In organizing the budget, the Mayor shall utilize the most feasible combination of expenditure classification by fund, organization unit, program, purpose or activity, and object. The budget shall contain, among other things, the following:

- A. It shall begin with a general summary of its contents.
- B. It shall show in detail all estimated income, indicating the existing and proposed tax levies, as well as other assessments, fees and charges.
- C. It shall show all proposed expenditures, including debt service, for the ensuing fiscal year.
- D. It shall show the number of proposed employees in every job classification.
- E. It shall be so arranged as to show comparative figures for actual and estimated income and expenditures for the current fiscal year and actual income and expenditures of the preceding 4 fiscal years.
- F. It shall indicate proposed expenditures during the ensuing fiscal year, detailed by offices, departments and agencies, in terms of their respective work programs and the methods of financing such expenditures.
- G. It shall indicate proposed capital expenditures during the ensuing fiscal year,

detailed by offices, departments and agencies when practicable, and the proposed method of financing each such capital expenditure. The Mayor will include this separate capital program section in the annual budget and submit to Council with appropriate supporting information as to the necessity for such programs.

H. It shall indicate anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or operated by the City and the proposed method of its disposition; subsidiary budgets for each such utility giving detailed income and expenditure information shall be attached as appendices to the budget. The total of proposed expenditures shall not exceed the total of estimated income. (*Charter, 11/3/1993, §904*)

§905. City Council Action on Budget.

1. **Notice and Hearing.** Council shall publish in one or more newspapers of general circulation in the City the general summary of the budget with a notice stating:

A. The times and places where copies of the budget message and budget document are available for inspection by the public.

B. The time, place and date, not less than 15 days or more than 30 days after such publication, for a public hearing on the budget. The public hearing shall not be on the date of a regular Council meeting.

C. The proposed budget shall be available for public inspection at City Hall and copies shall be available for the public at a reasonable fee to be set by the Council.

2. Amendment Before Adoption.

A. After the public hearing, the City Council may adopt the budget, with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs, or amounts, except expenditures required by law or for debt service or for an estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than total estimated income and thereby allowing for line item changes by the City Council.

B. If the amended budget increases, decreases or readjusts funding requirements by more than 5%, or adds or deletes a program, the Budget shall be returned to the Mayor immediately for comment and resubmission to the Council within 3 normal City work days.

C. Council shall provide for another public hearing to be held within 5 days after the Mayor has resubmitted the Budget.

3. **Adoption.** Council must adopt an annual budget by no later than December 15 of the fiscal year currently ending. If Council fails to adopt a budget by December 15 then the Mayor's original proposed balanced budget shall become the official budget of the City for the ensuing fiscal year.

(*Charter, 11/3/1993, §905*)

§906. Revised Budget.

Notwithstanding any other provisions of this Article, when the fiscal year of the City is the calendar year, in any year following a municipal election year the Council may, within 45 days after the start of the fiscal year, revise the budget and tax levies adopted by the previous Council. The procedures for adopting a revised budget shall be in accordance with §905 within the time periods adjusted to 45 days after the start of the fiscal year.

Ordinances adopting a revised budget shall be effective as of the start of the fiscal year and shall rescind and replace the budget ordinance of the previous Council. It is the intent of this Charter that a new Council, in the year following a municipal election, shall have the power to revise the budget and tax levies adopted by the previous Council.

(Charter, 11/3/1993, §90)

§907. Appropriation and Revenue Ordinance.

For 1996, this Charter shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected by the City during 1995. For those years following 1996, it shall provide for collection of income from real estate taxes which, in total amount, does not exceed 105% of the real estate tax income actually collected in the previous year. Any collection of income from the real estate tax by the City in excess of the amounts allowed by this section shall not be expended but shall be retained for use in the subsequent year and be used in the next year subsequent to reduce the amount of income needed by the City in said subsequent year. With the approval of the Court of Common Pleas, upon good cause shown, or by referendum or Charter review, the City may increase the amount of income collected, notwithstanding the provisions of this Section. *(Charter, 11/3/1993, §907)*

§908. Amendment After Adoption.

1. Emergency appropriations may be made by the Council to meet a public emergency posing a sudden, clear and present danger to life or property. Such appropriations may be made by emergency ordinance in accordance with the provisions of §220 of this Charter.

2. Supplemental appropriations may be made by the Council by ordinance upon certification by the Mayor that there are available for appropriate revenues in excess of those estimated in the budget.

3. Transfer of appropriations may be made in accordance with provision of the Administrative Code [Chapter 1, Part 1]. *(Charter, 11/3/1993, §908)*



CITY COUNCIL

Finance Committee

Meeting Report Monday, February 2, 2009

Committee Members Attending: J. Waltman, Chair, M. Baez, S. Fuhs

Others Attending: V. Spencer, C. Younger, D. Sterner, D. Miller, S. Days, R. Hottenstein, D. Cituk, L. Kelleher

Mr. Waltman called the Finance Committee meeting to order at 5:05 pm.

2009 Budget

Mr. Hottenstein reported that the budget, as amended by Council, has not yet been uploaded into the USL program. He stated that staff is still debating which version of the budget should be used, the version with 4% reductions applied across the board or some other application. He stated that the Administration will determine where reductions will occur.

Mr. Cituk stated that it is ridiculous that we are 30 days into the fiscal year and the Finance Department has not yet uploaded the budget into USL. This gap leaves offices operating blindly.

Mr. Waltman and Mr. Spencer questioned why Mr. Hottenstein is trying to decide which version of the budget to upload into USL, as only one version of the budget was adopted by Council. Council, using the budget presented by the Administration and introduced at the October 1 special meeting, was adopted by Council with a 5% increase in property taxes, an \$850,000 increase in the water meter surcharge, and a 4% reduction across all expenditure line items, etc. That budget should have been entered into USL by January 1, 2009.

Mr. Hottenstein stated that the budget with a 4% line item reductions will be uploaded into USL. Amendments will be then be proposed to Council.

Water Utility Billing

Mr. Waltman stated that Mr. Miller and Ms. Days were invited to be at the meeting due to the repeated complaints about the water billing system. He stated that no overall improvements or corrections have occurred over the past three years. He stated that three years ago the Administration and RAWA reviewed the billing workflow and identified the areas where problems occur. However, nothing was done to correct these problems.

Mr. Waltman stated that gaps in the accessibility of billing information leave RAWA personnel unable to correct the errors that occur. He stressed the need for the Administration to resolve these problems immediately, not years later. He stated that it is time for the Administration to stop making excuses like lack of personnel, other larger priorities, etc. He stated that if these issues occurred in the private sector parties who refused to correct problems would be terminated. He inquired if Mr. Hottenstein has an understanding of the water billing issues.

Mr. Hottenstein stated that all departments who bill out services are responsible for their individual billing processes. IT staff is only responsible for loading the information received and matching that data on the other end. IT is only responsible for specific areas, not everything. He expressed the belief that the water billing issues are based on a variety of problems that the Administration is working to correct; however, personnel resources are stretched and staff must prioritize problems. He expressed the belief that the Administration is responding to the best of its ability.

Mr. Waltman described his experience in billing functions and his nine years of experience in governmental service. He agreed that the billing problems are caused by various gaps. However, in today's world, systems only operating at 90% efficiency are broken. He stated that IT is a support service that should provide quick solutions to all problems as they arise not make excuses about priorities and stretched resources.

Mr. Spencer agreed that this issue should have been resolved years ago. He also stated that additional problems are caused by delays in the transmission of information from the Treasury Office.

Mr. Miller stated that bills can be dropped off at City Hall, mailed to City Hall or mailed to the drop box. He stated that sometimes information on payments is not provided by Treasury for 3-5 days, which also affects billing. He stated that the billing timeline is tight with little room to correct error. He stated that in this day and age the billing process should be virtually seamless, without the repeated need for manual corrections.

Ms. Days explained that the billing must start by the 5th day of each month. Information must be transmitted to Wachovia for mailing within a few days. She stated that this application delivers the bills to households by the second week of the month. As payment is due on the last day of the month, internal processes cannot be further delayed. She stated that the system as it runs now often creates incorrect bills, leaving customers dissatisfied and angry, resulting in many complaint calls.

Mr. Fuhs inquired why Council is questioning the Administration' operations. He stated that the Administration should be correcting these problems without Council's intervention.

Mr. Waltman stated that intervention is needed due to the many complaints fielded by City Council and the Council Office. He reminded all that Council has the ability to request that audits of the different administrative operations and functions, including water/sewer billing. Mr. Fuhs countered that the Administration should be continually auditing their operations to improve efficiencies. The complaints about the billing system should show the Administration that this system is broken.

Mr. Waltman inquired if staffing in the IT Division is insufficient. He noted the repeated finding in the external audits about the lack of cross training. Mr. Hottenstein agreed that IT must improve staff cross training. He stated that lack of proper cross training could cause entire systems to go down if current staff leaves or goes out on an extended absence.

Mr. Waltman expressed the belief that the system is close to the breakdown point. He stressed the need for the issues in IT to be either fixed or outsourced. Ms. Kelleher reminded everyone about the last time the IT system failed, causing some offices to lose years worth of data.

Mr. Waltman stated that Mr. Hottenstein cannot go on denying the existence of IT problems. He requested that Mr. Hottenstein develop a corrective plan and present that plan at the March meeting. Mr. Sterner agreed but questioned how much time would be required to correct the many problems. He asked Mr. Miller how many billing errors occur each month. Mr. Miller stated that easily over 100 billing errors occur each month.

Mr. Sterner inquired about the meter reading process. Mr. Miller stated that the majority of meters are not read monthly. He stated that currently staff focuses on reading meters that have not been read for a long period of time and those that have been tampered with.

Mr. Waltman expressed the belief that water billing problems will grow until the issues are corrected. He asked Mr. Hottenstein how many billing complaints are fielded on

average. Mr. Hottenstein stated that billing complaints are minimal. Ms. Kelleher disagreed, noting that the Council Office receives at least 2-4 billing complaints each week. She noted that the majority of these complaints are referred to the Council Office by the Administration. Mr. Hottenstein stated that Ms. Kelleher is incorrect. Ms. Baez affirmed Ms. Kelleher's statement as when she worked in the Mayor's Office she was instructed to refer all water billing problems to Council staff. Mr. Spencer stated that the Mayor has often publicly stated that the Water Authority is controlled by City Council.

Mr. Waltman stated that status quo with billing issues needs to end. The problems need resolution now. Mr. Hottenstein asked Mr. Waltman to be more specific. Mr. Waltman stated that the largest problem seems to be the need for manual corrections and entries along with incorrect bills.

Ms. Baez suggested that Council should exercise its power and order an audit of the water billing process and IT functions. She suggested that Council provide the Administration with 30 days to make the necessary corrections to the water billing. If the Administration does not make the necessary corrections within 30 days, Council should order the audits. All Councilors present agreed.

Mr. Hottenstein inquired why he was not informed that this issue was being discussed tonight. He noted the need to discuss this issue with IT staff. Mr. Waltman stated that this issue has been discussed with IT many times. He also noted that the issue is listed on the meeting agenda. IT either cannot or will not take the steps needed to correct these problems. If IT refuses to take corrective action the City should either outsource or bring people in to take the necessary steps.

Mr. Hottenstein questioned Mr. Miller and Ms. Days presence at this meeting. Mr. Waltman stated that he asked them to attend due to the unresolved billing issues.

Repeat External Audit Findings

Mr. Cituk distributed a report showing each of the repeat findings and an update on the work to resolve them. He noted that many of the repeat findings involve the IT Division. Mr. Hottenstein stated that Mr. Tangredi needs to be present to address these issues. He suggested discussing these issues in private, rather than at public meetings. Mr. Waltman and Mr. Spencer strongly disagreed with discussing these problems in closed sessions.

Mr. Cituk noted the continual finger pointing between IT, RAWA and the Administration.

Mr. Spencer noted the continued issues with the Hansen system. He questioned if there is a contract in place to get these issues corrected. Mr. Hottenstein stated that the contract in place will only address maintenance issues, not day to day problems.

Mr. Waltman inquired about Hansen's ability to generate reports. Mr. Hottenstein stated that only basic canned reports can be generated by Hansen. IT staff must create special reports. Mr. Waltman suggested that by now the Administration can surely identify which reports are required frequently and IT can build a program to allow individual departments to self create these reports.

Mr. Cituk noted that the external audit findings have repeatedly called for the creation of a billing office.

Mr. Waltman suggested that the Administration focus its attention on 3-4 of the repeat findings and get those resolved by the end of 2009.

Mr. Sterner inquired about the finding with the Pension Reporting. Mr. Cituk stated that this finding was created by turnover in the Pension Office and the pension changes made through the collective bargaining process. He stated that changes going beyond that allowed by State statute will not be reimbursed by the State. He noted the need for the use of an actuary before pension changes are approved.

Mr. Waltman noted the sketchy information provided to Council when this issue was presented.

Mr. Spencer inquired when the CD Fiscal officer was transferred to Accounting. Mr. Hottenstein stated that this transfer was made three years ago. He added that this is the first year that the City has met the HUD timeline test.

Mr. Cituk will provide additional information at the March Finance Meeting.

Core Services

Mr. Hottenstein noted the need for Council input on the core services. He noted that the Administration will not reduce public safety services (police and fire) and public works services (street lighting and streets services).

Mr. Waltman expressed the belief that some areas, like the police services, are operating at spike levels. He noted the need for a more balanced approach. He stated that the City continues to cut services for recreation and the library. He stated that decreased youth services creates the need for increased County level social services. He stated that increasing City youth programs can reduce juvenile criminal activity and promote good behavior. He noted the need for the City to provide recreation and employment opportunities, as the City cannot police its way out of these problems.

Mr. Fuhs stated that Mr. Waltman raised an interesting perspective on this topic. He noted his overall belief that government should only provide common defense service rather

than expanded services such as recreation. Mr. Waltman asked Mr. Fuhs to consider the increase in juvenile crime and police services and the decrease in funding of library and recreation services. He suggested finding alternative ways to fund these critical programs.

Mr. Fuhs questioned the rationale behind funding BCTV at \$180,000 per year at a time when layoffs are needed to close the budget gap. He noted the need for the public to provide funding for BCTV services and for BCTV to wean itself away from City financial support. He stated that while he is aware that the City has an extended contract with BCTV, he believes the Administration should negotiate to change the terms of the contract. He stated that if the public wants to keep BCTV they will step up and fund it.

Ms. Kelleher stated that there is a rumor that the Call Center is slated to become a Services Center. Mr. Hottenstein stated that this switch is planned. The Service Center will provide a "one stop" type service where people can obtain different permits and have complaints resolved. Ms. Kelleher stated that since the Council Office started turning all complaints in to the Call Center, complaint resolution has reduced from 90% to 70%. She questioned retaining the Call Center at a cost of \$200,000 per year and laying-off staff at a savings of \$150,000 per year.

Budget Charter Amendment

Mr. Waltman noted the need for Council to find a way to refine the Charter language to eliminate the availability of a default budget. This topic will be revisited.

Ordinance Requiring Council Approval for Expenditures from Agency & Non-departmental Funds

Mr. Spencer stated that at the Water Authority meeting he learned that the City spent \$171,000 to cover the tapping fees for Goggleworks, RC Theaters and Hydrojet. He noted Mr. Hottenstein's claim that he was unaware of this transaction. Mr. Spencer questioned how the Finance Director could be unaware of this transaction when it would have required his approval at some point.

Mr. Waltman requested a written explanation of this transaction. Mr. Hottenstein stated that he would prefer a private discussion rather than a public report. All Councilors present stated that the issue must be discussed publicly.

Mr. Waltman noted the need for Council's approval of transfers over \$25,000. He requested an explanation. Mr. Hottenstein stated that the money was withdrawn from the year end reconciliation payment from RAWA. Mr. Waltman stated that this payment should not have been withdrawn from an Enterprise Fund. He noted the need for the Auditor to monitor incoming and outgoing financial transactions and make Council aware of problems.

After a discussion, Councilors present decided to amend the ordinance to require all transactions from non-departmental or agency funds over \$50,000 receive Council approval.

Other Business

Mr. Spencer questioned the continuation of the contract with the Special Events Coordinator. Mr. Hottenstein stated that he is under the impression that this position is being phased out. Mr. Spencer noted that Ms. Kauffman has been hired as a special events coordinator by SMG.

Mr. Spatz inquired if Council will ask RAWA to increase the meter surcharge on the March water bill. He noted the loss of approximately \$140,000 over the past two months. Mr. Spencer stated that the Water Authority has refused to increase the meter surcharge until the Reading School District is charged for water. Mr. Waltman stated that tying these issues together is misplaced and incorrect. Mr. Spencer described his work to try to separate these issues through conversations with the Water Authority board.

The Finance Meeting Adjourned at approximately 7:55 p.m.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk

FOLLOW-UP ISSUES

- **Review of amended 2009 budget**
- **Review amendment of FT Position Ord including management salaries as required by Bill No. 3-2009**
- **Report on correction of water billing problems**
- **Motion to audit IT & water billing process if billing problems are not resolved**
- **Continuation of discussion on Core Services**
- **Update of resolution of repeat external audit findings**
- **Discussion Charter Amendment to remove default budget**
- **Report – Maximus Fee Study**