



# *CITY COUNCIL*

## *Strategic Planning Committee*

**Monday, July 7, 2014**  
*at close of Nominations & Appointments Committee Meeting*  
**City Council Office**

Strategic planning determines where an organization is going, how it's going to get there and measures success over time. It ensures the most effective use of the organization's limited resources by focusing resources on key priorities. The Council Strategic Planning committee will prioritize, in collaboration with the City's administration, the City's goals, objectives and strategies and determine which initiatives take precedence for implementation, under three main objectives: Finance, Standards of Living and Economic Development

**Committee Members:** J. Waltman, C. Daubert (Co Chairs), F. Acosta, M. Goodman-Hinnershitz, D. Sterner, S. Marmarou, D. Reed

*Although Council committee meetings are open to the public, public comment is not permitted at Council Committee meetings. However, citizens are encouraged to attend and observe the meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the Committee Chair. All electronic recording devices must be at the entry door in all meeting rooms and offices, as per Bill No. 27-2012*

### **Meeting Facilitated by the Managing Director's Office**

- 1. Availability of Fund Balance**
  - Administrative Services
  - PFM
- 2. Penn Street Properties re Development**
- 3. Recycling** (executive session for issues relating to litigation)
- 4. Liberty Fire Museum – Position Paper by Managing Director**

## **5. Strategic Planning Poll Results and Next Steps**

### **Low Hanging Fruit**

1. Pagoda Foundation – resolution planned for August
2. Fire Fighters Museum
3. Library

### **Priorities**

1. Recovery Plan Amendment
2. BPRC Acquisition & Demolition
3. Act 111 Amendment
4. Capital Improvements re streets and street lights
5. Main Street initiative
6. UGI Gas Meters
7. Egelman's Park

## **5. Future Council and Committee Agenda Topics**

- a. Alignment with Administration goals
- b. Leadership meetings
- c. Other ???

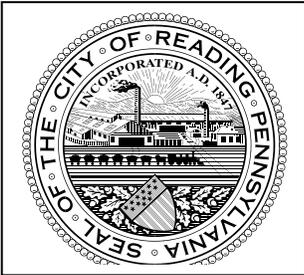
## **6. Current Outstanding Issues & Management (Methods & Implementation timeline)**

- a. UGI re gas meters
- b. Act 73
- c. Zoning Backlog
- d. PLA Ordinance

## **7. Reports from Board Liaisons**

- Environmental Advisory Council
- Diversity Board
- Housing Board of Appeals
- Business License Appeals Board
- Blighted Property Review Committee
- Recreation Commission
- Audit Committee
- Reading Area Transportation Study (RATS) Coordinating Committee
- Berks County Criminal Justice Advisory Board
- Capital Improvement Program (CIP) Committee
- Berks Community Action Program (BCAP)

- Pagoda Foundation



# CITY COUNCIL

## Strategic Planning Committee

**Monday, June 2, 2014**  
**Meeting Report**

**Attending:** J. Waltman, C. Daubert (Co Chairs); M. Goodman-Hinnershitz (via telephone), D. Sterner, D. Reed, F. Acosta, S. Marmarou

**Others Attending:** L. Kelleher, A. Shuman, C. Younger, D. Kersley, C. Edwards, V. Spencer

The meeting was called to order by Mr. Waltman and Mr. Daubert at approximately 5:30 pm.

### **2. Meatless Monday Resolution**

Mr. Daubert distributed a draft resolution supporting the Meatless Mondays initiative championed by the Humane League to combat health issues and obesity. He explained that the initiative also supports sustainability and the environment. Council agreed to place the resolution on the June 9<sup>th</sup> agenda.

### **3. Penn Square Properties**

Ms. Edwards stated that an internal committee met to review the two (2) proposals submitted for the development of the Penn Square Properties, purchased by the City. She explained that a larger committee composed of various employees, City Council members and external parties also met to review the proposals. Their input was considered by the internal review committee.

Mr. Acosta asked Ms. Edwards to name the members of the internal committee. Ms. Edwards stated that she was not authorized to release that information.

Ms. Edwards explained that the proposals were evaluated using the criteria listed in the RFP. She noted that some criteria were more heavily weighted than others.

Mr. Waltman asked Ms. Edwards to provide the shortcomings or strengths of each proposal. Ms. Edwards stated that both developers have proven capacity and are “neck in neck”.

Ms. Edwards stated that she is unsure if the façade covering the buildings on Penn Street can be moved a second time. Ms. Reed explained that the façade was moved in the 1980s to its current location.

Mr. Acosta stated that he attended the larger review committee meeting where a number of parties from various organizations attended and commented on the two proposals. He stated that overall the group did not support the expansion of Ricktown to the 400 block of Penn Street, they did not support placing housing in the upper floors of the properties and they did not support the addition of another business incubator in the downtown. Mr. Acosta stated that the Berks County Community Foundation runs a successful incubator operation that supports start-up businesses.

Ms. Edwards stated that while the internal committee liked the proposal submitted by Shuman Development Group (SDG), the Shuman proposal relies on obtaining the CRIZ designation. She noted that expanding the Ricktown designation to the 400 block of Penn Street enables the BEDI grant and Section 108 loan.

Ms. Edwards stated that the Our City Reading (OCR) proposal was deemed stronger as it will allow the City to retain ownership of the properties for a five year period. Under the Shuman proposal the properties would be purchased for \$1 and the City would cover the cost of the demolition of one of the buildings that fronts Penn Street.

Mr. Waltman asked Ms. Edwards how the two proposals match up with the Main Street vision and design for Penn Square. Ms. Edwards expressed the belief that the OCR proposal matches best with the vibrancy requirement of Main Street because it incorporates a live-work approach.

Mr. Waltman asked Ms. Edwards about the progress made to redesign Penn Square by the Main Street Design Committee. Ms. Kelleher reported that she and Mr. Shuman serve on the Main Street Design Committee and that the Committee has a draft plan for the design; however, because the Economic Restructuring and Promotions committees are not meeting they have been unable to obtain their collaboration on the plan.

Mr. Waltman noted the success of Lancaster in rebuilding its downtown. He described the Lancaster downtown and its features. He suggested looking at Lancaster's vision and work plan for the downtown. Mr. Spencer stated that Reading's plan is to move neighborhood businesses to Penn Street. He stated that his team has had conversations with the owner of Sofrito about moving to the downtown. He stated that there will be incentives for businesses moving into the downtown area.

Mr. Waltman and Ms. Reed expressed the belief that "live-work" housing is improper for Penn Street. They expressed the belief in the need for middle class living. They stressed the need to improve the payout of center city.

Ms. Edwards again noted that the OCR proposal provides business incubator space along with live-work housing.

Mr. Acosta expressed the belief that there is no need for an additional incubator space in the downtown, as there is already a successful incubator at the Community Foundation. He stated that at the larger review meeting, someone noted that the size of the space is too large for an incubator. He again stated that he does not agree with the type of housing proposed for the upper floors of the Penn Square Properties.

Mr. Acosta and Mr. Waltman stated that Council will need to more closely review these proposals before moving forward with a vote.

Mr. Marmarou inquired about the developers' timelines. Ms. Edwards stated that the completion timelines are similar.

Mr. Waltman and Mr. Acosta noted that SDG has been successful at renovating and filling various developments across the City. They used the M & T Bank, the Burlington property and the strip mall space at 8<sup>th</sup> and Oley Streets as examples. They noted that the OCR proposal to create a restaurant/retail space around the Goggleworks has not been successful to date.

Mr. Marmarou asked Mr. Shuman how he would respond if the CRIZ designation was unavailable. Mr. Shuman stated that his proposal has two parts; the retail component and the high rise component. If the CRIZ was not available, he would simply adjust his plans.

Mr. Waltman expressed the belief that each building in the downtown is its own incubator. He stated that Reading needs a proactive vision, polish and outreach. He noted that the businesses in Lancaster didn't appear from nowhere. Someone

performed specific outreach to the varying business types. Mr. Shuman agreed, noting that development spurs more development.

Council agreed that the design of the Penn Street area needs improvement.

Mr. Spencer again stated that he and his team are working to move existing City businesses into the downtown area.

Mr. Kersley stated that the Administration is seeking the ability to do further planning. A final plan will be brought back for Council approval. Mr. Acosta disagreed, noting that if Council adopts the resolution, Council has selected the developer.

Mr. Kersley questioned if Council would like to be included in the planning process. Mr. Acosta stated that in general, he would like to see Council included in all planning efforts and he again stated that if Council adopts the resolution, the developer has been selected.

Mr. Acosta inquired about the participants on the administrative team who reviewed the proposals. Ms. Edwards stated that she is unsure how the team was assembled.

Mr. Waltman stressed the need for deeper Council review.

Mr. Spencer spoke about the merits of the Main Street initiative and noted that the project has nothing to do with Main Street. He stated that when the City went out on the limb to purchase these properties, they had mixed use (commercial/residential) in mind.

Ms. Edwards stated that the Main Street Board is not currently functioning and they are having a difficult time finding members. She stated that the CD Department has offered to provide staff support to the Main Street initiative. She also stated that they plan to hire a Main Street Developer to seek businesses for the Main Street area. *(Note: names of potential Main Street Board members were submitted to the mayor in early 2014 with no result or outcome)*

Mr. Waltman again noted the vibrancy of the Lancaster downtown and its main attractive features. Mr. Spencer questioned the Lancaster vision as Lancaster was assisted by the Meds/Eds community.

Mr. Waltman stated that Council will need 3-4 weeks to perform their due diligence on the proposals.

Mr. Acosta questioned the cost to hire a Main Street Developer. He inquired how this employee will interact with the CDC Manager. Mr. Spencer stated that the Berks County Community Foundation is funding this position. Mr. Acosta asked Ms. Kelleher to arrange a meeting with Mr. Murphy, Executive Director of the Community Foundation.

Council stated that they would like to meet with OCR and SDG. The developers can make 10 minute presentations about their proposals and then take questions from Council.

Mr. Spencer and Mr. Shuman left the meeting.

#### **4. Curbside MOU**

Ms. Kelleher distributed a draft resolution and MOU.

Mr. Kersley stated that you cannot unscramble an egg and he noted the need to move forward to settle the curbside collection billing for 2014. He stated that outsourcing the curbside collection billing saves the City \$320,000 annually and creates various positive efficiencies. He stated that the billing by RAWA also reduces the collection risks. The City's collection rate was approximately 86% and RAWA's collection rate is approximately 96%.

Ms. Kelleher noted that all references that relate to the 2013 collection for the curbside program were eliminated from the draft resolution and MOU.

#### **5. Other Matters**

Mr. Marmarou stated that he is tired of taking various complaints about the water authority.

Ms. Goodman-Hinnershitz explained that she has asked the City Auditor to make a presentation on the water authority audits at the June 16<sup>th</sup> Finance Committee meeting. She stated that the Committee will review the management letters that were obtained via Right To Know request. She stated that review of these issues is a precursor to a forensic audit, if the group determines one is required.

Council agreed with need to review RAWA's financial documents was agreed upon.

## 6. Priorities

Mr. Waltman stated that a list of priorities was completed at a prior Strategic Planning Meeting. These items were discussed at an agenda planning meeting with Ms. Snyder and Mr. Kersley and the following priorities were identified:

1. Recovery Plan Amendment
2. BPRC Acquisition & Demolition
3. Act 111 Amendment
4. Capital Improvements re streets and street lights
5. Main Street initiative
6. UGI Gas Meters
7. Egelman's Park

Ms. Kelleher was asked to contact Mr. Mann to see if he is available for the June 16<sup>th</sup> Finance Committee meeting to discuss the Recovery Plan amendment.

Mr. Sterner noted the need to complete the demolition of the property in the 1200 block of Buttonwood Street. He stated that the partial demolition has existed for over a year. He stated that it is time to complete the demolition and clear the debris.

Mr. Kersley stated that the BPRC has excelled at certifying blighted properties; however, the City has been slow to take the next steps. He stated that an acquisition handbook has been prepared that contains "how tos" for eminent domain, foreclosure and other acquisition methods.

Mr. Waltman asked Mr. Kersley to prepare and return with a model showing the various needs and solution suggestions.

Mr. Waltman asked Ms. Kelleher to place Act 111 on the Finance agenda and to send him the Act and the latest draft amendment. Ms. Goodman-Hinnershitz noted the need to consider the impacts and the affects this legislation imposes.

Mr. Waltman stated that the "lowest hanging fruit" issues are the Pagoda Foundation, the Fire Fighters Museum and the Library.

Mr. Waltman suggested inviting the Library Board to a meeting to discuss the possibility of imposing a Library Tax or the dedication of a portion of the existing property taxes for library funding. Ms. Reed noted that the Oley electorate recently voted down a library tax and she questioned if the City electorate would react in the

same way. Mr. Waltman suggested holding the discussion on Library funding at the beginning of the budget process.

Mr. Daubert and Mr. Waltman suggested inviting the Fire Fighters Museum to a meeting to discuss options.

Mr. Waltman adjourned the meeting at approximately 7:10 pm.

*Respectfully Submitted by Linda A. Kelleher CMC, City Clerk*

***Follow Up Topics***

***Finance Committee***

- *Act 111 Review - June*
- *RAWA Audit Review - June*
- *Recovery Plan Amendment - July*

***Standards of Living***

- *BPRC Acquisition & Demolition - June*

***Strategic Planning or COW***

- *CDC Manager - June*
- *Library Tax*
- *Firefighters Museum*
- *Pagoda Foundation*



CITY OF READING,  
PENNSYLVANIA

MEMORANDUM

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**TO:** Members of City Council  
**FROM:** Department of Administrative Services  
**DATE:** July 1, 2014  
**SUBJECT:** Availability of Fund Balance

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**Overview**

During the May 19, 2014 City Council Finance Committee meeting, Councilor Waltman requested an analysis of the City's fund balance, specifically whether there was available cash within the fund balance that might be utilized toward the 2015 City budget.

In developing the requested analysis, the Department of Administrative Services utilized the starting date of December 31, 2013 to identify a "snapshot" of available cash at a point-in-time. As of December 31, the City maintained the following cash balances, totaling approximately \$15.4 million:

Cash Balances:

\$14,354,212	12/31/2013 cash
<u>1,083,163</u>	12/31/2013 investments
<b>\$15,437,375</b>	Total 12/31/2013 Cash Balance

As of December 31, 2013 the City offset the approximately \$15.4 million in fund balance with several liabilities, totaling approximately \$2.6 million.

Liabilities:

\$ 1,404,820	12/31/2013 outstanding accounts payable balance
<u>1,230,478</u>	Use of Fund Balance applied to 2014 City Budget
<b>\$ 2,635,298</b>	Total Liabilities

By subtraction, the remainder of total cash on December 31, 2014 is estimated to be approximately **\$12,802,077**, or approximately 15.5% of the 2014 General Fund budget. While some portion of this

amount might be utilized for the 2015 budget, the Department of Administrative Services is concerned about both actual and developing costs which will affect the City moving forward, notably an increase in the City's 2015 MMO by approximately \$3.0 million due to revised actuarial assumptions, and the issue of City recycling. Specifically regarding recycling, a negative resolution to the lawsuit brought by Attorney Cooper could result in significant additional charges that would further reduce the City's fund balance.

### **Fund Balance Policy**

The Department of Administrative Services would like to remind all parties that the City is currently bound by a 2011 City ordinance that addresses how the City should utilize non-recurring revenue – of which fund balance and cash are part.

Per the 2011 ordinance,

“The City’s objective is to achieve and maintain a structurally-balanced budget in all funds such that recurring revenues fund recurring expenditures. Non-recurring revenues and budget surpluses should replenish reserve levels, support outstanding liabilities and pay for non-recurring expenditures, including capital projects in that order...For the purpose of this policy; non-recurring revenues shall include...use of fund balance.”

Based upon the existing ordinance, the Department of Administrative Services understands that the use of fund balance would necessarily be limited to one-time expenditures/capital projects; not recurring City operations.

### **Funding Reserve Needs**

Upon review of established governmental best practices, the Department of Administrative Services recommends that the City adhere to Government Finance Officers Association (GFOA) norms, which suggest that,

“At a minimum, 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 expenditures.”

Based upon this standard, the two-month threshold equates to a minimum of 16.7% of City of Reading general fund revenues held in reserve. As mentioned previously in this memorandum, the City is currently maintaining a reserve of 15.5%, which falls below governmental best practice.

Separately, the Department of Administrative Services believes that is important to note that further declines in fund balance, from a practicality standpoint, would place the City in a situation similar to when it needed to secure an unfunded debt issuance (2010 C Bond). Utilizing fund balance at this point in time merely shifts the problem down the road; it does not resolve current spending concerns.

### **Recommendation**

The Department of Administrative Services recommends that the City refrain from utilizing cash from fund balance toward the 2015 City budget. The City must maintain adequate cash reserves, in line with governmental best practice, to ensure that funds are available for any future, unknown costs that may touch the City of Reading.

The City should look to alternate funding options – including the potential lease of the Reading Area Water Authority (RAWA) – to bridge the anticipated 2015 budget gap. Similarly, the City should also look to reducing spending in areas where it can; this will further support the structure of the 2015 City budget.

To: Carole Snyder, Managing Director  
Matthew Bembenick, Director of Administrative Services

From: Gordon Mann, PFM

Re: Cash balance and 2015 budget

Date: June 27, 2014

We are providing this information in response to your questions about the appropriate minimum level of cash reserves that the City should maintain and how any cash over that minimum level should be used in the 2015 budget. After you have reviewed this information, we are available to discuss it with the City in person if that is helpful.

**Best practices in fund balance**

In October 2009 the Government Finance Officers Association (GFOA) approved the following "Best Practice" statement regarding 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 expenditures."

The two-month threshold translates to a minimum of 16.7 percent of general fund revenues or expenditures, depending on which is more stable once one-time occurrences are excluded. Since Reading has recently had one-time expenditures in its budget or actual spending, we recommend applying the two-month threshold to revenues.

Please note that the GFOA cites several conditions that, if present, would recommend a higher minimum fund balance than 16.7 percent. For example, the fund balance threshold is usually calculated based on the level of activity in the General Fund. But if the City is likely to need General Fund money to fill deficits in other funds, then the threshold should be 16.7 percent of the combined revenues in the related funds. The full GFOA best practice statement is attached for your review.

The threshold could also be higher than 16.7 percent if the City determines that it needs more cash on hand to pay its obligations early in the year before the bulk of annual revenue arrives with real estate tax receipts in March or April. The City should keep enough cash on hand so it does not have to do cash flow borrowings early in the year, either from external sources (Tax Revenue Anticipation Notes) or other City funds.

Please also note that the GFOA is focused on "fund balance," which includes assets other than cash, like accounts receivable. The GFOA does not provide guidance on the appropriate minimum level of cash that governments should maintain. For now we recommend that the City apply the 16.7 percent threshold to the appropriate minimum level for cash since meeting the cash threshold will guarantee that the City also meets the GFOA fund balance threshold.

## Application to Reading

The City's last audited and externally verified fund balance figure is reported in the 2012 Comprehensive Annual Financial Report (CAFR). The 2012 CAFR shows \$14.9 million in unassigned fund balance compared to \$73.3 million in audited revenues.<sup>1</sup> Applying the 16.7 percent threshold described above, the City's unassigned fund balance should be no less than \$12.2 million and the \$14.9 million reported at the end of 2012 crosses that threshold. Again, please note that this is fund balance, as opposed to cash reserves.

We do not have audited figures for 2013 yet, but the Finance Department reports \$15.4 million in cash at the end of 2013, including investments that can be converted to cash quickly. The 2014 budget uses \$1.2 million in prior year cash to fund capital improvements. Removing that amount leaves \$14.2 million.

The amount of cash available at the end of 2014 depends in part on how well the City stays within its 2014 budget. The City budgets \$82.2 million for operations, debt service and modest capital investments this year. It budgets another \$2.1 million as a contingency to cover any additional expenditures in the General Fund or Recycling Fund. If the City does not use the full contingency during 2014, then there could be more than \$14.2 million available at the end of 2014.

Returning to the 16.7 percent threshold discussed above, the City budgets \$83.1 million in General Fund revenues in 2014, excluding the use of \$1.2 million in prior year reserves. Applying the 16.7 percent threshold yields a target cash balance of \$13.9 million. The City will surpass that target by a small amount depending on how closely the City stays to its budget this year (\$14.2 million - \$13.9 million = \$300,000).

## Reading's Fund Balance policy

In 2011 City Council adopted an ordinance that addresses how the City should use non-recurring revenues, including the fund balance and cash accumulated in prior years.

The City's objective is to achieve and maintain a structurally-balanced budget in all funds such that recurring revenues fund recurring expenditures. **Non-recurring revenues and budget surpluses should replenish reserve levels, support outstanding liabilities and pay for non-recurring expenditures, including capital projects, in that order...** For the purpose of this policy, non-recurring revenues shall include land or asset sales, **use of fund balance**, transfers from other funds that exceed ongoing and sustainable levels, and transfers from other funds that exceed legal limits. Non-recurring revenues also include any revenue that is anticipated to be received for only one year. **(emphasis added)**

The ordinance prioritizes the potential uses of non-recurring revenues, starting with "[replenishing] reserve levels." The next priority is "[supporting] outstanding liabilities." The ordinance's statement that "recurring revenues fund recurring expenditures" clarifies that the liabilities supported by non-recurring revenues, like the use of prior year fund balance, should not be recurring. The City should match one-time revenues with one-time expenditures. So using the cash balance to make a one-time, additional

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<sup>1</sup> The revenue total should include any recurring transfers into the General Fund. In 2012 the City had \$7.6 million in transfer revenues, which is included here.

payment to retire liabilities like debt complies with the City's policy. The third priority is capital projects, such as those the City is funding this year.

Setting priorities does not mean that the City has to completely achieve each objective before it can move on to the next one. The City does not have to pay off all its liabilities before it can invest in capital projects. But it does provide an order of importance for considering potential uses of fund balance.

With that in mind, our recommended use of any cash balance available at the end of 2014 is:

- Maintain a cash balance at a level set concurrently by the Administration and Council, indexed to the total level of annual General Fund revenues excluding any one-time revenues. The Administration should also provide guidance on how much cash is necessary to avoid cash flow borrowings early in the year.
- Pay debt ahead of schedule to reduce scheduled interest payments. If there is not enough money available to retire enough debt to impact future debt payments, then the City should give higher priority to the next option.
- Fund high priority infrastructure needs. PFM is working with the Public Works department on a high level assessment of the critical needs related to the City's roads, buildings and other core infrastructure. The City should prioritize the maintenance of current assets over building new ones.