

**CITY COUNCIL SPECIAL MEETING  
MONDAY, DECEMBER 29, 2008**

A special meeting of City Council was held on the above date for the purpose of considering the new tax ordinances proposed and other legislation.

Vaughn D. Spencer, President of Council, called the special meeting to order.

**ATTENDANCE**

Council President Spencer  
Councilor Fuhs, District 1  
Councilor Goodman-Hinnershitz, District 2  
Councilor Sterner, District 3  
Councilor Marmarou, District 4  
Councilor Baez, District 5  
Councilor Waltman, District 6  
Mayor T. McMahon  
City Auditor D. Cituk  
City Solicitor C. Younger  
City Clerk L. Kelleher

**PUBLIC COMMENT**

Council President Spencer stated that there are no citizens registered to address Council.

**APPROVAL OF AGENDA**

Council President Spencer asked Council to consider the agenda for this meeting along with the minutes from the December 15th Special Meeting. Council President Spencer noted the need to amend the agenda to include a resolution that will allow the Reading School District to reissue the 2008 property tax bills. Council President Spencer inquired if any Councilor objected to the addition of this resolution.

Mr. Hottenstein arrived at the meeting and noted the need for the December 15th minutes to be corrected by removing his name under the Attendance heading as he was absent.

**Councilor Baez moved, seconded by Councilor Fuhs, to approve the agenda as amended and the December 15th Special Meeting minutes as corrected. The motion was approved unanimously.**

### **ORDINANCES FOR FINAL PASSAGE**

**Bill No 83-2008** – raising the 2009 property tax levy by 5% and setting the 2009 property tax levy at .011445 (11.45) (Fuhs & Goodman-Hinnershitz)

**Councilor Marmarou moved, seconded by Councilor Goodman-Hinnershitz, to approve Bill No. 83-2008.**

Councilor Fuhs stated that the discussions occurring over the last two weeks convinced him of the need to increase the property tax levy. However, he will not support the EIT increase proposed this evening.

Councilor Goodman-Hinnershitz described Council's work to amend the budget and reduce expenditures, moving away from the 23% property tax hike proposed by the Mayor. She expressed the belief in the need to increase the property and earned income taxes to improve the City's financial viability. She disagreed with the process used during this budget cycle and reprimanded the Mayor for his lack of participation in the budget process and his unwillingness to discuss and compromise with Council before the December 15<sup>th</sup> deadline.

Councilor Waltman noted the Administration's lack of formidable amendment as requested by Council when the body announced their refusal of the proposed 23% property tax hike. The Administration's irresponsible attitude created the need for Council to make final adjustments and require that each department reduce expenditures by 4%. He noted the Administration incorrectly believes that this 4% reduction is to be applied to personnel, not operations.

Councilor Waltman expressed the belief that the body of Council worked hard to come together, define their consensus and make the appropriate decisions within the Charter timeline. He noted that the 4% operational reductions will not be pleasant but are only a calibration of operational expenses.

Councilor Sterner agreed with increasing the property and earned income taxes to support City programs and services. He noted that this problem is shared by many other municipalities across the Commonwealth. He stated that these increases will not have a detrimental affect on the average City resident. He

expressed the belief that reducing or eliminating various programs and services will exacerbate problems within the City and cause property values to plummet.

Council President Spencer noted that the Reading Eagle continues to charge Council with placing a \$1.4 million contribution from the Reading Parking Authority in the budget when this figure was in the budget presented by the Mayor on October 1st, along with increased revenue from the Reading Area Water Authority. He stated that the increase of the property and earned income taxes will not solve the City's problems. He noted that tax revenues collected will never cover the City's operational expenses, due to the salary increases required by the collective bargaining units. He stated that the City cannot tax their way out of this problem.

Council President Spencer noted that each Administration, including this one, has continued to overlook the lack of collection of various fees and taxes. He suggested that the Administration collect these fees and taxes before laying a further burden on those already paying.

**Bill No. 83-2008 was enacted by the following vote:**

**Yeas:** Fuhs, Goodman-Hinnershitz, Marmarou, Sterner - 4.

**Nays:** Baez, Waltman, Spencer - 3.

**Bill No 84-2008** – increasing the Home Rule earned income tax rate by .2% increasing this levy to .9% (Fuhs & Goodman-Hinnershitz)

**Councilor Goodman-Hinnershitz moved, seconded by Councilor Fuhs, to enact Bill No. 84-2008.**

Councilor Goodman-Hinnershitz stated that she will support this increase as it is manageable for the average city resident. She expressed the belief that this increase will provide sustainable revenue to the City. She agreed that the Administration needs to take the proper steps to collect previously uncollected fees and taxes. She noted that people on average believe that those who work are already over taxed. She stated that the City cannot increase this rate any further.

Councilor Waltman stated that actions to approve the property and earned income taxes may violate the Charter. He also stated that the City is not nearing bankruptcy and Act 47 is not the way out of this problem. He expressed the belief that increasing the property and earned income tax rates is moving the

City in the wrong direction as our collective goal is to encourage people to return to the City. These increases will be detrimental to that goal.

Councilor Waltman stated that the Administration cannot continue to ignore the need to build synergies and seek out new revenue streams. He noted that each year Council has asked the Administration to increase synergies and improve efficiencies. Although the Administration verbally agrees, no action is taken.

Councilor Waltman asked the Solicitor to explain the effect these new increases will have on the appropriate revenue line items in the budget approved by Council. Council President Spencer asked all to remember that the Solicitor has not had time to study this issue. City Solicitor Younger stated that good argument can occur on both sides.

Councilor Waltman asked the Solicitor if these tax increases will amend the budget adopted by Council. City Solicitor Younger replied affirmatively. Councilor Waltman then asked the Solicitor to explain the reasoning behind the timelines mandated by the Charter. The Solicitor did not reply.

Councilor Waltman noted the danger of allowing the Administration to play with the budget timelines, timelines that were defined for a specific reason. He noted that the Solicitor did not respond to his last question.

Councilor Sterner stated that he will support this increase but stated that he is troubled by the burden this will cause for those employed City residents.

Councilor Sterner noted that two weeks ago he asked the Administration for some information but has not yet received a response. He stated that the County Data Book states that there are 59,000 adults in the City and 34,000 residents employed. He inquired how many of those workers file tax returns with the City.

Councilor Sterner stated that the City resident earning \$50,000 will pay an additional \$100 a year if this earned income tax increase is approved. He stated that a home assessed at \$50,000 will pay an additional \$26 per year under the property tax ordinance approved tonight. He noted the various unfunded State mandates.

Councilor Waltman suggested that the Administration and Council Finance Committee begin to define and consider the various City work areas and

programs. He also disagreed with the way the Administration continues to push the budget timelines.

Mayor McMahon agreed that the budget process could have been improved. He noted the expected \$14 million deficit at the end of 2009. He stated that 60% of the budget covers public safety services. He suggested that Council and the Administration use a Blue Ribbon panel to assist in the review and consideration of the City's financial issues. He expressed his desire for the establishment of a Blue Ribbon panel and his commitment to rescind the tax increases if more viable solutions are identified. He also noted the need to move to regional water and sewer programs.

Councilor Waltman stated that the Mayor's proposal to increase property taxes by 23% was unrealistic. He stated that the Administration started the budget cycle in an irresponsible manner and did not move far from that position. He noted the need for the Administration to improve the balance of their objectives. He stated that the requested 4% operational expenditure reductions can be achieved. He stated that the libraries and recreation programs are just as essential as police and fire services.

Councilor Waltman agreed with the use of a Blue Ribbon panel but noted that the Administration will need to take action on their suggestions. He inquired if the Administration is prepared to take the necessary actions and questioned the Administration's ability to drive solutions.

Councilor Goodman-Hinnershitz stated that tonight's dialog needs to continue throughout the coming year.

Council President Spencer stated that he was highly disturbed with the budget process. He expressed the belief that slipping away from the previous decisions made on these tax ordinances is foolish. He noted that he has been on Council for eight years and Council's repeated requests to improve efficiencies and improve tax and fee collections have been repeatedly ignored.

Council President Spencer reminded the Mayor that water and sewer are already regional as there are service contracts with 12-14 surrounding municipalities.

**Bill No. 84-2008 was not enacted by the following vote:**

**Yeas:** Goodman-Hinnershitz, Marmarou, Sterner - 3.

**Nays:** Baez, Fuhs, Waltman, Spencer - 4.

**Bill No 77-2008** - Establishing the Full-Time Employee positions & salaries for the City of Reading for the fiscal year 2009. *Introduced at the October 1 Special Meeting; Tabled on Nov 24th; Tabled on December 8th and December 22th.*

**Councilor Fuhs moved, seconded by Councilor Marmarou, to enact Bill No. 77-2008.**

Council President Spencer stated that this ordinance has been discussed many times over the past weeks. He stated that the ordinance includes 736 City positions. Mr. Hottenstein stated that the Office of Neighborhood Development manager is the only employee who will be displaced in 2009.

**Bill No. 77-2008 was enacted by the following vote:**

**Yeas:** Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Spencer - 6.

**Nays:** Waltman - 1.

## **RESOLUTIONS**

**Resolution 131-2008** - directing the Mayor to retain the services of a collection agency to collect delinquent taxes and fees (Marmarou)

**Councilor Marmarou moved, seconded by Councilor Goodman-Hinnershitz, to adopt Resolution 131-2008.**

Councilor Marmarou noted the critical need for the City to improve the collection of fees and taxes. He noted the Mayor's promise to uphold this resolution if the earned income and property tax ordinances were approved. He read a statement noting the Administration's past missteps and lack of follow through in other areas. He asked the Mayor to provide assurance that he will uphold this promise properly.

Managing Director Hottenstein asked Council to have faith in the Administration's commitment to follow through on the stated collection areas. He stated that the many unfinished issues were not ignored and will be

completed.

Councilor Goodman-Hinnershitz expressed the belief that the Administration will follow through and will continue to build trust with this body. She noted that this is no longer optional but a "must do" for the sake of the taxpayers who are continually asked to pay more. She noted the need for the Administration to apply penalties and pressure to inspire people to comply.

Councilor Waltman stated that while he supports this concept he will not vote to approve this resolution as the Administration should already be taking these actions without negotiating for tax increases.

Councilor Sterner agreed with the need for a resolution as a point of emphasis. He stated that this resolution merely amplifies the priority of this collection need.

Councilor Waltman agreed that this collection effort is a priority.

Council President Spencer stated that the City already retains four collection agencies to collect various fees. He agreed with the need to expand collection efforts. He inquired why the Administration has not taken this approach before. Managing Director Hottenstein stated that decreased manpower has placed limits on the collection of various fees and taxes. Existing staff is handling more high priority functions and issues.

Mayor McMahon apologized for his previous statement that the collection of nickels and dimes will not solve the problem, as today the collection of nickels and dimes is more important than in the past.

**Resolution 131-2008 was adopted by the following vote:**

**Yeas:** Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Spencer - 6.

**Nays:** Waltman - 1.

**Resolution 132-2008** - Authorizing the Reading School District to reissue the 2008 property tax bills.

**Councilor Waltman moved, seconded by Councilor Fuhs, to adopt Resolution 132-2008.**

Council President Spencer explained that a miscalculation in the new property tax rate has created the need to reissue the school property taxes.

Councilor Goodman-Hinnershitz noted the rarity of this situation. She noted the need for a proper explanation to be issued to City property owners. Council President Spencer stated that the School District will provide an explanation via letter with the new bill.

**Resolution 132-2008 was adopted by the following vote:**

**Yeas:** Baez, Fuhs, Goodman-Hinnershitz, Marmarou, Sterner, Waltman, Spencer - 7

**Nays:** None - 0.

**Council Comment**

Council President Spencer noted that Council has returned to its proviso position by denying the earned income tax increase and approving a 5% property tax increase. He questioned the next steps.

Councilor Goodman-Hinnershitz inquired if the Mayor intended to veto the property tax ordinance. Mayor McMahon stated that he will not veto this ordinance.

**Councilor Sterner moved, seconded by Goodman-Hinnershitz, to adjourn the special meeting of Council.**

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Linda Kelleher  
City Clerk