Meeting Report
Budget Review Meeting
Saturday, October 16, 2010
Penn Room

Attending: V. Spencer, J. Waltman, D. Reed, F. Acosta, L. Kelleher, M. Goodman-Hinnershitz, D. Sterner, S. Marmarou, F. Denbowski, C. Younger, C. Geffken, C. Weidel

Mr. Acosta, Finance Committee Chair, called the meeting to order at 9:15 a.m.

Budget Questions

Mr. Geffken distributed the Administration's response to the follow-up budget questions submitted by the Council Office.

Delinquencies – these two line items are fire related revenue. The revenue collected by Portnoff (trash and recycling) and Linebarger (Per Capita, EIT, housing permits, etc) will be reflected in the appropriate areas. He noted that the projection made in the Per Capita Prior line item was recommended by Linebarger.

Mr. Geffken stated that line items ending in "xxxx" are new and will be assigned an account code when the budget is finalized.

Library – Mr. Geffken stated the $900K payment from the County goes directly to the Library. Prior to last year the Library would remit approximately $250K a quarter to the City. After the 2010 budget cuts, the Library picked up the funding of some eliminated positions and stopped sending automatic payments to the City. The Library began asking the City to present a bill to cover its expenses. He stated that the City is currently working to resolve some problems with the bills that will be sent to the Library.

Mr. Waltman questioned why the County's contribution is sent to the Library and not to the City, as the expenses belong to the City.

Repayment of Various Debts *(Follow-up required)*– Mr. Geffken stated that this line item reflects the repayment of the loan made to Greater Berks Development for the 2nd and Penn Gateway building and the building on the northeast corner at 6th and Penn Streets. Mr. Geffken stated that these projects were funded through CDBG Section 108 loans (building at 6th and Penn) and the General Fund (2nd and Penn) through the Washington County Bond. This bond has been refinanced several times. He stated that the City's bond counsel and financial advisor has opined that the City can show the

bond payments as revenue.

Mr. Waltman requested a copy of the agreement and the total amount loaned for each project, along with the amount repaid to date.

Fleet Maintenance *(Follow-up required)* - Mr. Geffken noted the excellence of the fleet facility and the fleet staff. He stated that the Administration is exploring selling these services to other agencies and municipalities.

Mr. Spencer recalled that the School District was unwilling to break away from their current fleet maintenance practices; however, Mr. Denbowski stated that the conversation has been restarted.

Employee Contribution to Medical Insurance *(Follow-up required)*– Mr. Geffken stated that this projection was made by Riverside based on the estimates for the new health plan. He stated that management employees, the 1st level supervisors unit and the IAFF employees will begin making larger contributions to their health coverage benefit in 2011. The new plan will be similar to the PPO plan currently in place for management employees. Mr. Geffken was asked to finalize this issue and present the options and associated costs to the affected employee groups.

Mr. Waltman suggested comparing various revenue projections against those listed in the Act 47 Recovery Plan.

<u>Revenue Review</u>

Property Tax *(Follow-up required)* – Mr. Geffken stated that the $2.1M increase reflects the 22% increase. The City's current real estate tax rate is 11.945 mils. The figure contained in the budget is the amount the City believes it will collect, not the total amount billed. He stated that property tax billing will be transferred to the County in 2011. He stated that the City paid $115,000 in postage expenses.

Mr. Waltman requested further information on the costs and benefits of transferring the property tax billing to the County.

Mr. Spencer expressed concern about the Administration's desire to transfer property tax billing to the County. He noted that the County Tax Claim Bureau can only undertake activities permitted by State Statute. He stated that the City stopped using the County Tax Claim Bureau as they did not undertake any collection activities other then the various tax sales, which negatively impacted the City's finances. Currently the City uses Portnoff to undertake collection activities before the properties are

transferred to the County.

Ms. Weidel stated that she has heard all the horror stories and added that the County Tax Claim Bureau Solicitor, Socrates Geordaedis, has expressed the belief that the Tax Claim Bureau can undertake all collection activities permitted by the 3rd Class County and City Codes. She agreed that Portnoff is much more aggressive then the Tax Claim Bureau.

Mr. Geffken stated that the County can do billing and collections at a reduced rate. Mr. Marmarou noted that the current collection costs are placed on top of the amount owed to the City. He questioned if the Tax Claim Bureau will also employ that approach.

Mr. Acosta expressed the belief that the number of delinquencies will rise without an aggressive collection mechanism. He suggested using a combined approach. Ms. Weidel stated that the County will not allow the combined approach.

Ms. Goodman-Hinnershitz inquired if the rate cap in the Charter will allow the 22% property tax increase. Mr. Spencer stated that the Charter Board reviewed this issue and found case law in Luzerne County that prohibits the use of a tax rate cap. Mr. Younger agreed that the law suit negates the rate cap listed in the Charter.

Mr. Waltman noted that the Act 47 Recovery Plan calls for property tax collection to increase by only $800K.

The group next discussed abandoning the collection of Per Capita tax; however, Mr. Geffken stated that abandoning this revenue during the City's financial recovery is not recommended. Council noted the need for the Administration to improve its collection of Per Capita tax. Mr. Sterner noted that the City should be collecting approximately $250K annually but only collects approximately $75K.

The group next discussed the need to address the transiency of Reading's population in 2011. Ms. Kelleher stated that Allentown requires a moving permit and uses that data for tax collection purposes. She also noted that Spring Township does a local census each year for tax collection purposes.

Mr. Waltman stated that the City cannot continue to charge those already paying more, and ignoring those who choose not to pay.

Mr. Acosta suggested discussing the transiency issue and its relation to tax collection with the Finance Committee in 2011.

Ms. Weidel left the meeting.

Business Privilege Tax *(Follow-up required)* – Mr. Geffken stated that this projection is based on trends. The amount predicted in the Business Privilege License revenue estimates collection of the $55 annual fee from 5000 businesses. Mr. Sterner expressed the belief that there are many more small businesses and in-home businesses. He noted the need to improve the tracking of businesses and the payment of the tax and annual license fee. Mr. Geffken stated that a Tax employee currently identifies businesses by going door to door. He suggested that Council participate in this practice and turn new businesses in to the Tax Office.

Real Estate Transfer Tax – Mr. Geffken stated that this projection is based on trends.

EIT – (*Follow-up required)* – Mr. Geffken stated that the projected amount reflects the apportionment adjustment and the transfer of billing and collection to Berks EIT in 2011. Mr. Geffken was asked to provide delinquent collection information from Linebarger.

Local Services Tax (LST) *(Follow-up required)* – Mr. Geffken stated that this projection is based on trends and considers the transfer of billing and collection to Berks EIT in 2011. Mr. Marmarou noted the need for the City to use business license data and in-home zoning permits to improve collection for those not currently paying.

Construction Permits *(Follow-up required)* – Mr. Geffken stated that this projection is based on trends. Council inquired if the projection includes permit fees from the Doubletree Hotel, the Goggleworks Apartments and the BWIC project on South 3rd Street. Mr. Geffken stated that he will inquire further about this projection, as all entities undertaking construction activities must pay permit fees. He noted that Albright was charged $500K for the construction of the new Science Building. Mr. Cituk stated that the projected amount should be increased.

Rental Permit *(Follow-up required)* – Mr. Geffken explained that the projection made in 2010 ($50 per unit billed in 2009 – payable by Feb. 2010) shows that 17,600 rental properties were expected to pay their housing permits fee. The 2010 fee was billed September 30, 2010 and is payable by November 15, 2010. The 2011 projects that 15,000 ($100 per unit) rental units will pay housing permit fees. Ms. Kelleher noted the need for Legal Specialist Mayfield to complete the draft ordinance that will require rental properties to pay the $245 (approximate) inspection fee when the property is inspected every 2-3 years.

The group discussed the need for the City to correct this very broken process. Mr. Marmarou and Mr. Sterner noted the numerous illegal rentals identified by the Council Office. Mr. Marmarou stated that the Postal Inspector can provide information about the number of individuals residing in a property if the request is made to support public health and safety. Mr. Geffken stated that he would draft the letter suggested. The need for additional man-power vs. improved leadership in the Codes office was discussed.

Franchise Fee (*Follow-up required*) – Mr. Cituk stated that based on trends this line item can be safely increased. He explained that this fee applies to residents using Comcast only.

Other Income – Mr. Geffken stated that this line item covers miscellaneous fees paid to the City. Mr. Cituk stated that this line item could be increased.

Traffic Fines *(Follow-up required)* – Mr. Geffken stated that this line item was decreased to reflect the reduction in police officers. Mr. Cituk stated that this line item could be increased slightly. Mr. Geffken noted that the existing FOP Contract allows an off-duty officer to collect four (4) hours of overtime for court. Mr. Geffken was asked to provide a comparison on the revenue generated vs. the cost.

Lease Rental *(Follow-up required)* – Mr. Geffken stated that further review of this line is needed. He stated that this line item may replace the Repayment of Debt line item (loan payments from Greater Berks)

PILOT *(Follow-up required)* – Mr. Spencer noted the need to improve this area. Mr. Geffken stated that the Administration is currently exploring the model used by Pittsburgh. He stated that they are also considering sending each non-profit a request letter. A draft of the letter will be provided to Council.

Mr. Cituk and Ms. Goodman-Hinnershitz stated that old agreements required non-profits to make a specific contribution to the City.

Mr. Spencer inquired if RACC, Alvernia and Albright pay business tax on the items sold in the bookstore.

Sales of Property – Mr. Geffken stated that this amount represents the sale of the 122 acre parcel in the Ontelaunee water shed.

Mr. Spencer reminded everyone that RAWA has agreed to make this payment and will present a memo on three (3) viable options on Monday.

Mr. Sterner and Mr. Marmarou left the meeting due to conflicting engagements.

User Fees – Mr. Geffken stated that this line item covers EMS Services and is projected to trend down.

Parking – Mr. Geffken stated that this projection comes from the Act 47 Recovery Plan. Mr. Lee is currently considering a variety of options such as expanded enforcement hours and fine increases to cover this cost.

Budget Message – Mr. Waltman noted the lack of budget goals or predicted outcomes for 2011. He stated that this omission sends a bad message to the taxpayer. Mr. Spencer agreed. Council also questioned the timing of the Mayor's extended vacation. Several noted the importance of the City's leadership to participate in the budget discussions and questioned why the Mayor would not alter his vacation schedule so he could participate in the budget discussions.

Mr. Acosta suggested adding the remaining issues on this agenda to the discussions planned for Monday evening.

The meeting concluded at approximately 1 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk

<u>FOLLOW UP ITEMS</u>

1. Washington County Bond - total amount due, year initiated, amount repaid to date
2. Fleet Services - contract for services to other agencies and municipalities
3. Employee Health Care - present new package information to employees
4. Tax Billing & Collection Costs - Property, EIT, Per Capita, BPT
5. Property Tax Billing to County - Nelson Long & Solicitor
   Georgeadis presentation to Council re abilities to undertake collection activities prior to tax sale; collection activities used by other similar municipalities in Berks and PA cities; RFP prior to transfer of collections to County; seek County's permission to undertake private collection activities
6. Act 47 increase of property tax collection by $800K - check with PFM; also review all collections recommendations in Act 47
7. Transiency Policy & housing strategy - Jan Finance Meeting

8. EIT Collection - obtain progress report from Linebarger
9. Per Capita - discuss transfer to Berks EIT
10. Construction & Trades Permits - permit fees to be charged to BWIC, Goggleworks Apts and Doubletree Hotel
11. Rental Permits - draft ordinance to allow inspection charge of $240 (approx) year of inspection
12. Franchise Fee Collection - check projection in 2011 Budget
13. Traffic Fines - compare court costs vs. revenue collected
14. PILOT - develop approach to increase PILOTs from non-profits
15. Admissions Tax - check projection in 2012 Budget
16. Budget Goals - present goals and outcomes that are included with the 2011 budget