

Meeting Report
Joint City-RAWA Meeting
Monday, August 30, 2010
Penn Room

Elected and Appointed Officials Attending: V. Spencer, J. Waltman, R. Schuenneman, J. Kuzminski, D. Reed, D. Glaze, M. Goodman-Hinnershitz, J. Ulrich, T. Brogan, D. Sterner, S. Marmarou, T. McMahon, F. Acosta

Others attending: E. Jenkins, D. Kersley, L. Kelleher, F. Denbowski, D. Miller, M. Setley, C. Geffken, Members of the Public and Media

Note : All handouts distributed at the meeting will be attached to the file copy of the meeting report

Mr. McMahon and Mr. Spencer made introductory remarks and noted the need for Council and RAWA to find consensus on issues that relate to the City's 2011 budget. Mr. Spencer defined the process to be followed at this meeting, stressing the need for the meeting to be productive and focused. He stated that there would be no public comment as the meeting is set up as a joint work session for the two (2) policymaking bodies.

Mr. Jenkins described the purpose and objectives of the meeting. He stated that a small group of representatives from the Administration, Council and RAWA have had approximately five (5) meetings and this meeting will be used to catch the group up. He noted that the small meetings defined some broad objectives and goals on Act 47 Recovery Plan initiatives that will need to be considered by the larger group. He stated that the City needs to have consensus from RAWA and Council by September 24th as the final budget must be presented to Council and introduced by October 1st.

Mr. Jenkins explained that consensus must first be obtained on short range objectives that will affect 2010 and 2011, followed by consideration of long term issues. He noted that RAWA has already agreed to make a contribution of \$250K by November, as requested in the Act 47 Recovery Plan. He stated that without financial assistance from RAWA the City will have to enact a 10% property tax increase, which would cause the current rate to increase to 12.4 mils. This increase would generate the Act 47 required \$1.5M for 2011, followed by 5% increases in 2012 and 2013. He asked RAWA to consider applying either a 10% rate increase or a surcharge to users located within the City.

Mr. Kersley suggested developing a preliminary memorandum of understanding between the City and RAWA by November 2010 that would be finalized by June 2011 addressing the long range issues and allowing the City to revoke their decision to abolish RAWA.

Mr. Kersley suggested that the group consider a surcharge of \$1 or \$1.25 per thousand gallons that would be applied only to the water rate. This surcharge would generate approximately \$1.7M, \$200,000 more than the \$1.5M required by the Recovery Plan. He noted that this surcharge would be paid by all users located within the City of Reading, including tax exempt properties, which would reduce the impact on the average taxpaying property.

Mr. Kersley stated that the RAWA's current water rate is set at \$3.83 with a \$5.49 surcharge per thousand gallons. He compared that rate and surcharge to the \$7.89 rate and \$13 surcharge in Wyomissing Hills (service provided by Pennsylvania American). He used his home on Douglass Street to provide an example of the effect to the average user. His monthly water bill is approximately \$91 per month; the addition of the new surcharge would increase his bill by approximately \$9 per month.

Mr. Jenkins added that the group could also consider a blended application that would combine a surcharge with a smaller property tax increase.

Mr. Schuenneman stated that the members of the RAWA Board were appointed to do their best to protect the City's water system. He shared his belief that a rate increase of 10% for the City's benefit is misplaced as it will do nothing to improve or expand the water system.

Mr. Brogan noted the new world belief that "water is the new oil" and expressed his belief that a water rate increase is more aggressive than a property tax increase. He stated that a rate increase is really a regressive water tax which could threaten the expansion of the water system. He also suggested that any increase have a termination date. He noted the City's misuse of waste water treatment revenue has left the City unable to pay for the required improvements.

At the suggestion to discuss the possible transfer of the water asset to RAWA, Mr. Setley and Mr. Younger opined that the group could go into executive session to discuss issues concerning land sale or transfer. The meeting was closed for an executive session at 5:33 p.m. and reopened at 5:52 p.m. for discussion about the water asset transfer along with the other options previously discussed.

Mr. Ulrich noted that he suggested transferring the water shed to RAWA several years ago; however, the suggestion was ignored.

Ms. Goodman-Hinnershitz noted the need for all involved to make informed, balanced decisions on the short and long term options. She expressed the belief that the City's water rates cannot be compared to those in Wyomissing Hills because the water service in Wyomissing Hills is run by a private company and not a public entity. She also suggested that further water increases may be an unfair approach to the majority of City residents.

Mr. Schuenneman stated that the RAWA Board is prepared to assist; however, a rate increase may not be the best option. He noted that RAWA is conducting a rate comparison with other publically run systems.

Mr. Sterner stated that he favors the surcharge approach as it will affect all users in the City, including properties that are non-profit and tax exempt.

Mr. Brogan voiced his support for a blended approach for the short term and the transfer of the water shed to RAWA moving forward.

Ms. Reed disagreed with transferring the water shed to RAWA, as the transfer of the asset would negate the City's authority and control of the asset. She suggested that the City revisit the sale of the 122 acre tract to Ontelaunee Township. She also expressed the belief that the use of the surcharge may be the best approach as it will affect all City water system customers.

Ms. Glaze expressed her agreement with the surcharge, as it will affect all City system users. She also noted that RAWA has requested information from the Administration concerning the asset transfer.

Mr. Marmarou also expressed his agreement with the surcharge and suggested that if adopted, the City explain the application in simple, understandable terms based on a per person-per household. He explained that this approach will be more easily understood rather than stating a percentage. He also stated that he could support a blended approach.

Mr. Acosta expressed his agreement with the surcharge as it will be applied across the board. He also suggested increasing the surcharge further to benefit the expansion of the water system. He noted that he would not support a tax increase.

Mr. Waltman expressed the need for RAWA to provide additional financial support to the City. He noted the need for RAWA and the City to consider short and long term options. He stated that short term options must address the 2011 budget.

Mr. Spencer questioned if there are legal obstacles to the suggested surcharge or rate increase. He noted that rate increases can be challenged by any customer. He added that consideration of the asset transfer is a long term option that would require much discussion and consideration. He stated that he would prefer to learn if RAWA was willing to approve a rate increase or surcharge before considering a property tax increase.

Mr. McMahon suggested further discussion about options in small group meetings. He stated that a list of recommendations can be considered by RAWA and Council where applicable. He also suggested further study of long term solutions

Ms. Goodman-Hinnershitz expressed her disagreement with the use of small meetings due to the compressed timeline.

Mr. Setley stated that RAWA will discuss the surcharge and rate increase further at their work session scheduled for Tuesday, September 14th. A response and any questions will be provided in writing to the Administration and Council.

The meeting adjourned at approximately 6:50 p.m.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk