



# *CITY COUNCIL*

## *Finance Committee*

### **Meeting Report Monday April 15, 2013**

**Committee Members Attending:** D. Reed, Chair; R. Corcoran, Vice Chair; D. Sterner

**Others Attending:** D. Cituk, C. Younger, C. Zale, L. Kelleher, M. Kantner, M. Bembenick, V. Spencer, H. Tangredi, B. Rivera, B. Zimmerman

Ms. Reed called the Finance Committee meeting to order at 5:00pm.

Mr. Cituk took time to introduce Beth Zimmerman who is the newly hired Audit Coordinator. She was greeted by everyone and welcomed to the Finance Committee.

#### **I. REVIEW MONTHLY REPORTS**

- IT Report

Mr. Tangredi stated that, as indicated in the IT Report that was submitted, everything is running relatively smoothly and there is nothing of major concern to report. He mentioned that there was a small issue with one of the measurements but it was imperceptible and was addressed and resolved in less than a day.

Mr. Bembenick asked if Mr. Tangredi could expand a little on wideband usage.

Mr. Tangredi responded that we have been experiencing slower-than-usual internet issues. IT has implemented a filtering system; however, it is only in the beginning stages. It was put in place to determine what the problem might be that is causing slow internet usage. He will continue to keep council updated as new developments transpire.

- CSC Report

Ms. Kantner stated that everything is running as usual with nothing of notable change. The Business Privilege License Tax was due today so they experienced some heavier volume and are dealing with that. Also, trash enforcement issues are rising and they are preparing for

collections. She mentioned that due to warmer weather, we will begin to experience more calls regarding bugs, rodents and other quality of life issues.

Mr. Sterner stated that he was looking at the CSC Update enclosed in his agenda packet and noticed that there are less unresolved cases. He commended Ms. Kantner on that positive.

Ms. Reed reminded both Mr. Tangredi and Ms. Kantner that their next report to council will be in June; however, should something noteworthy take place, they should keep council informed.

- CDBG

Mr. Bembenick stated there is no update on this at this time.

- Review Finance Reports

Mr. Zale stated that there are no surprises this year; however, there was a slight increase in assessment of "exempt" properties. He stated that year over year; we should see no surprises in the 2013 PILOT (payment in lieu of taxes). He noted that in 2012, we produced \$137,000 in exempt. He indicated that there is almost \$20 million budgeted in property tax revenues, budgeted at a collection rate of 89 percent.

Mr. Cituk stated that they had a meeting with the county and noted that this meeting was quite beneficial. He stated that delinquency is going down and that the county's numbers and ours should be similar. He stated that the meeting was very helpful and that the county looked forward to partnering with us.

Mr. Cituk stated that the topic of delinquent collection was discussed with Mr. Long. Currently, there is no communication with delinquent taxpayers until one year after the tax bill is mailed.

Under MTSL the County Treasurer can undertake collection activity similar to Portnoff; but the current Treasurer says he does not have sufficient staffing to perform this service for all municipalities. He suggested approaching the newly elected Treasurer next year.

Ms. Reed asked how often these meetings will be taking place.

Mr. Cituk responded that he is not sure that it will be something that is regularly done but he is hoping that it will happen quarterly going forward.

Mr. Corcoran asked if there was any information on how foreclosures are affecting delinquencies.

Mr. Cituk responded that he didn't have a direct correlation at this point.

Mr. Sterner asked for clarification on the PILOT Program.

Mr. Spencer responded that it is ongoing annually.

Mr. Cituk stated that the Housing Authority, Albright College, Alvernia and some other institutions make PILOT payments; plus, others sometimes provide services in lieu of taxes (SILOT).

Mr. Zale handed out a narrative showing a surplus of about \$700,000 and a shortfall of \$44,000 from the assessment reduction of CarTech property. Our year-to-date overtime for police and fire exceeds budget by more than \$166,000. At this rate, the full year overtime spending is projected to surpass plan by \$600,000. He continued stating that our other expenditures: legal fees and overall excess spending is projected at about \$1 million.

Ms. Reed stated that she is alarmed by that projected number.

Mr. Bembenick stated that our overall budget numbers are "on plan" despite that projected number due to other line items being lower.

Mr. Zale stated that even so, we are at a deficit of \$1.8 million and a decision has to be made about what we will do moving forward.

Ms. Reed remarked that there has to be a balance.

Mr. Sterner stated that the overtime issue has been ongoing for quite some time. He asked if there was a way to cut some of the overtime expense. He understands that there are many moving parts to this.

Mr. Corcoran indicated that the SAFER Grant funds may aid in the reduction of the overtime spending.

Mr. Zale explained our cash flow status as having a projected deficit of \$1.7million and he anticipates a year-end cash balance of \$9.5 million. The contingency fund will need to absorb the result of the healthcare arbitration. He stated that there are 558 full-time employees and 139 part-time employees which is 14 and 16 under plan, respectively. He stated that based on various assumptions, in 2015 we will have a \$10 million deficit even if property taxes are increased by 5% annually.

Mr. Bembenick stated that because of Project 2015, we will meet the challenge of the budget.

Ms. Reed again stated how alarmed she is by these numbers.

Mr. Zale stressed the need to control these numbers. That being said, he stated that we have the potential to be in good shape but we must continue to curb our spending.

Mr. Sterner stated that he assumes discussions about this are already taking place as he hopes that it isn't something that will be put off until 2015.

Mr. Bembenick stated that he isn't trying to minimize these projected numbers; however, he feels confident that we can meet the challenge.

Mr. Sterner commented that he doesn't feel the need to have the same number of firefighters and policemen given that police have much more work to do.

Mr. Corcoran asked if PFM has a copy of these projections. Mr. Cituk responded affirmatively.

Ms. Reed took some time at this point to commend Mr. Zale on an excellent and comprehensive financial summary; she was very impressed and thanked him for the report.

## **II. LEGISLATIVE REVIEW**

Mr. Bembenick explained that they're formatting the pension ordinances as per the framework from the IRS. They reviewed the codified pension plan and analyzed all four of them following the IRS protocol: Voluntary Compliance Program (VCP).

## **III. CREATE DEFINED CONTRIBUTION PLAN FOR NEW HIRES**

Mr. Bembenick stated that this is being looked at and a "loose" plan is devised. He stated that it is still a work in progress and they are still learning all that this would entail. Once there is a clearer understanding of the larger issues, then recommendations will be made. He stated that more information will be provided in the coming months.

Mr. Cituk noted that only management and non-uniformed employees will be eligible.

Mr. Spencer commented that the governor is more focused on SERS and PSERS and not addressing municipalities at all.

## **IV. LAND VALUE TAX**

Ms. Reed mentioned that we will be asking the Chamber of Commerce to devise a presentation on this in "debate" form to obtain a clearer picture of the pros and cons associated with this issue so as to educate the public.

Mr. Spencer stated that it would be a good idea to involve CarTech, Penske and Sweet Streets as they would greatly benefit from LVT.

Mr. sterner asked if LVT has to be revenue neutral.

Mr. Bembenick responded that it doesn't necessarily have to be revenue neutral and Ms. Kelleher agreed.

## **V. CITY AUDITOR UPDATE**

Mr. Cituk distributed a handout: Wastewater Treatment Plant capital expense report. He stated that in the report he provided numbers for years 2008 thru 2012. He also provided vendors and noted that we are no longer utilizing Black & Veatch which is the largest expense in the listing of vendors.

Mr. Sterner asked about the \$29 million and if it has been spent already.

Mr. Cituk responded that they are working on a new methodology at the moment.

Mr. Sterner asked when we would need more funding. Mr. Zale responded that more funding would be needed in 2014.

Mr. Spencer stated that under these IMAs, we only have a limited amount of capacity to sell.

Mr. Cituk stated that he is currently working on future audits on credit card usage and the Fire Escrow Fund. He asked if council would like additional audits.

Ms. Reed thanked Mr. Cituk for his report.

## **VI. CIP COMMITTEE PROCESS**

Mr. Bembenick stated that because we are in Act 47, we will need clearance through PFM to move forward to take out capital funding.

Ms. Kelleher stated that some capital projects are in CDBG and Mr. Bembenick stated he would have to defer to the CD Director regarding that.

Ms. Reed thanked everyone for their reports and stated that since the last topic on the agenda was moved to the Public Safety Committee, the meeting would be adjourned (6:30pm).

*Respectfully submitted by  
Bea Rivera, Legislative Aide*

**FOLLOW UP ITEMS:**

1. Street light or Street Assessment
2. Review and assess use of City and Authority funds to provide best benefit
3. Procurement Policy Update