



# *CITY COUNCIL*

## ***Finance Committee***

### **Meeting Report Monday, June 17, 2013**

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

**Others Attending:** M. Goodman-Hinnershitz, F. Acosta, J. Waltman, D. Sterner, S. Marmarou, D. Cituk, C. Younger, C. Zale, L. Kelleher, M. Bembenick, B. Rivera, D. Pottiger

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

Mr. Zale introduced Donald Pottiger as the new Accounting Division Manager.

Ms. Reed thanked Mr. Zale for his report made at the May meeting regarding the need for the City to prepare for the dismal financial projections projected for 2015, when the Commuter Tax ends and when the effects of Act 73 are in place, which will disrupt RAWA from making financial contributions to the City. She stated that the Finance Committee thanks Mr. Zale for being up front about these potential problems, as making this issue known will create the impetus for taking corrective action. She stated that Mr. Zale's statements were well worded and appropriate and she noted that the Finance Committee welcomes Mr. Zale's input in the same manner moving forward.

Ms. Goodman-Hinnershitz stressed the need for all information to be conveyed in a complete and un-segmented fashion to avoid misinformation to the public.

Mr. Sterner and Mr. Corcoran agreed with the statement made by Ms. Reed, noting that while making his statement Mr. Zale informed the group that he was presenting the "worse case situation" and advising of the need to begin corrective action now.

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

Mr. Murin arrived.

Mr. Bembenick reviewed the reports distributed electronically. He stated that the General Fund Financial Review looks at a cross comparison of 2012 and 2013. He reviewed the Revenues and Expenditures and noted that:

- EIT Revenue is \$750K over that budgeted
- The District Attorney sent a reimbursement for Police overtime used in conjunction with joint projects
- Increase in overall Police Overtime; PFM is reviewing this area with the Chief
- Public Safety Overtime is projected to surpass budget by approximately \$600,000
- Overall revenues are coming in \$750,000 over budget
- Projected yearend deficit of \$263,832 reduced from \$1.02M due to the increase in EIT collections

Mr. Marmarou stated that the least expensive traffic ticket is \$112 and the City's portion of that \$112 is \$12.50, which does not cover the cost of writing the ticket or defending it in Court.

Ms. Reed agreed and Ms. Goodman-Hinnershitz offered to bring this issue to the attention of the County Crime task force.

Mr. Bembenick reported that \$980,000 is in the Contingency Fund, an account managed by the Managing Director. He stated that the majority of this money will be used to cover the results of the Health Care Arbitration award. He noted that the Administration has suggested funding the Charter Review Commission through the Contingency Fund; however, he suggested obtaining funding from other sources.

Ms. Goodman-Hinnershitz suggested developing a contingency policy that will provide control points for this fund.

Mr. Sterner stated that Fire Overtime is increased again this year. He inquired about when the SAFER firefighters will begin working, which should drive down overtime costs. Mr. Bembenick stated that the SAFER firefighters should begin working around September of 2013.

Mr. Sterner inquired about the increase in legal fees due to Charter Board complaints. He stated that Mr. Younger made a presentation on developing a policy to attempt to contain fees charged by outside legal counsel. Mr. Younger stated that the Guidelines drafted by Mr. Lachat were implemented and were sent to all outside legal counsel. He stated that there has been some positive impact.

Mr. Bembenick stated that the Moody's bond rating for the City is Baa2, which is a low-medium grade. He stated that the headcount show 15 additional fulltime employees but 34 less part-time employees. Mr. Bembenick stated that departments have worked hard to

contain costs during the first half of 2013.

Ms. Goodman-Hinnershitz suggested making the public aware of the City's work to contain costs. She stated that she continually hears people saying that the City should contain costs and they are unaware of the work already taking place to accomplish that.

Mr. Waltman warned that at times cutting too deeply can negatively affect operational issues.

Mr. Waltman also noted that the State legislation afforded to individual cities such as Allentown, Philadelphia and Pittsburgh leaves other 3<sup>rd</sup> Class cities struggling. Mr. Waltman suggested that Ms. Kelleher contact the DCED to arrange a meeting for the Council leadership group to discuss these issues.

Ms. Goodman-Hinnershitz agreed and noted that the City may also need to consider challenging various issues in the court system. She noted that those who pay property taxes are already bearing too great a burden.

Mr. Spencer arrived.

## **II. Update from City Auditor re Internal Audits**

Mr. Cituk distributed a report. He stated that during the course of 2012 85 transfers occurred totaling \$2.7M. He stated that nine transfers had a value of over \$25K and eight of those were approved by Council.

Ms. Goodman-Hinnershitz requested that future reports be sorted by department so Council can see which departments are not operating within their respective budgets.

Mr. Cituk stated that the 2012 external audit is in progress.

## **III. LEGISLATIVE REVIEW – STREETLIGHT ASSESSMENT**

Ms. Snyder stated that the Law Department's research shows that Reading can implement this type of assessment. She stated that the revenue from this assessment would be placed into an Enterprise Fund that would maintain, repair, replace and make additions to the City's streetlight system. She stated that having this assessment would free approximately \$400,000 annually for street paving.

Ms. Snyder stated that assessment bills would be mailed out to property owners, non-profits included, who benefit from the streetlight system. She stated that the bill would be based on the amount of lumens and on the linear foot frontage of the property. The charge of \$1 per linear foot would generate \$1.8M annually. She stated that about 80% of the City properties would receive this assessment (properties in areas without streetlight systems would not be

charges). She noted that currently the City pays approximately \$500K for electric going to the streetlight system from Liquid Fuels. She stated that the \$1 per linear foot would free an additional \$400K from the General Fund. She stated that moving to this assessment would enable the City to replace the current lighting with energy efficient LED lights which would reduce the cost of the program. She noted that townships like Exeter and Spring employ this assessment. She stated that the assessment would apply to non-profits including the educational properties.

Ms. Snyder stated that the Administration would like to begin billing this August-September, so that Cotton Street can be repaved before October when the paving season ends.

Mr. Corcoran stated that residents in Wyomissing Park will not be charged until their system is fixed or replaced. He questioned the application of the properties that benefit from the lumens. Ms. Snyder stated that properties that are illuminated by street lights will pay the assessment; those that are not illuminated will not pay.

Mr. Marmarou noted that more properties are illuminated during the cold weather months, when there is no foliage on the trees. He inquired how that will be considered. Ms. Snyder stated that tree trimming will be covered under the program so trees that interrupt the light can be addressed.

Mr. Acosta stated that he will not support this assessment as the program is not well planned and subjective. He noted that he cannot support the assessment until the program is completely planned and vetted and until the Administration can provide proper reporting on the impact the assessment will have on all properties.

Mr. Lloyd arrived.

Mr. Waltman noted that although this is called an "assessment" property owners will see it as an additional tax. He stated that he cannot support the assessment unless those currently paying property taxes are afforded some relief. He suggested a cut back in property taxes. Ms. Snyder stated that the City cannot legally provide this type of relief as the non-profits will then be able to call this a tax rather than an assessment that applies to all.

Mr. Waltman stated that streetlights do not only benefit property owners. Streetlights also benefit pedestrians and motorists.

Mr. Acosta agreed and noted that he could support the program if those who pay the assessment would be able to see some immediate or tangible benefit such as the replacement of the entire streetlight system.

Ms. Goodman-Hinnershitz stated that she cannot support the assessment due to the financial burden it will place on the already over burdened Reading School District. She stated that the District is preparing its 2013-14 budget right now and that the Administration has not prepared them for the assessment. She stated that the Reading School District has the largest amount of frontage in the City and that they will be required to pay the largest sum of money.

Mr. Acosta inquired about the collection practices the Administration will implement to go after those who refuse to pay the assessment. He suggested that the Administration include a collections component in their plan.

Ms. Snyder stated that the implementation of this assessment will allow the City to repave Cotton Street. She stated that UGI's portion of the project has been paid to the City and that the City must identify funding to cover its portion of the project. She also stated that the project to replace the Wyomissing Park streetlights is progressing nicely. She stated that a 2<sup>nd</sup> meeting with the neighborhood will be held soon.

Mr. Acosta noted the cost to replace the streetlight system in Wyomissing Park is extreme and couldn't be covered through the assessment alone. He agreed that Cotton Street needs to be repaved this year, as residents have been waiting for a few years for the completion of this project.

Mr. Acosta suggested that the Administration take a more planned and systematic approach to presenting initiatives to Council, especially as we enter the budget preparation part of the year.

Ms. Goodman-Hinnershitz agreed that the Cotton Street project needs to be completed. She inquired about the total cost of the project and the amount paid by UGI. She suggested using the UGI money to repave the portion of the street damaged by UGI.

Ms. Snyder stated PFM supports the implementation of the streetlight assessment.

Mr. Waltman expressed the belief that the commuter should continue to pay a fair share portion of the services he receives while working in the City. He stated that when the commuter tax expires property owners and residents will again pay for the services used by the commuter. He suggested discussing this topic with PFM and with the DCED.

Mr. Spencer stated that changes at the state level could drastically reduce the Liquid Fuels funding. He also noted that in the near future cities will be expected to begin implementing a storm water charge.

Mr. Acosta stated that the owner of Masano's car dealership approached him and spoke

negatively about the assessment. He noted that his dealership lots are well lit therefore the streetlight system is unneeded in those blocks.

There was a discussion about the pros/cons of the streetlight assessment and other legislative roadblocks created by State legislation.

Mr. Waltman suggested that PFM should be providing more assistance and advice about various issues. Mr. Acosta agreed.

Mr. Waltman expressed the belief that Act 47 is a parking lot for distressed cities. Mr. Sterner agreed, as those who go into Act 47 do not come out.

Mr. Sterner stated that he will not support the streetlight assessment due to the many unknown issues and variables.

#### **IV. Act 47 Recovery Plan**

Ms. Snyder stated that Mr. Kersley and Mr. Mann are currently reviewing the Plan to determine which initiatives have been completed and which need to be removed or modified.

#### **V. Act 73**

Mr. Younger stated that he reviewed the legislation and he reported that authorities can no longer provide money for projects or initiatives that fall outside the scope of their mission. He stated that authorities must use their revenue to support authority related projects.

Mr. Younger stated that he also read the description listed on the Municipal Authorities Association website, which says that authorities, under Act 73, cannot make loans or grants unrelated to the service provided by the authority.

Mr. Waltman noted that the lease agreement gives the Authority the water shed required to provide water service to the Authority's customers. He suggested amending the lease agreement and basing the lease payment on the value of the water shed.

Mr. Acosta stated that the lease expires in 2014. He suggested that the Solicitor begin working on an amendment, prior to meeting with RAWA.

Ms. Goodman-Hinnershitz inquired if having an employee on the RAWA board presents a conflict of interest, as the City will be negotiating an increase in the lease payment.

Mr. Waltman suggested beginning the amendment process now and providing an update in October 2013.

## **VI. Budget Process & Summit**

Mr. Bembenick suggested Saturday July 20<sup>th</sup> at 9 am for the budget summit.

## **VII. Timeline for the Main Library Construction Project**

Ms. Snyder stated that there were problems with the original bids; however the project was rebid with the bid opening scheduled for July 9<sup>th</sup>. She stated that a recommendation will be made to Council at the July 22<sup>nd</sup> regular meeting. She inquired if Council would approve advance notice which would allow the project materials to be ordered in advance of the approval of the award of contract. She stated that the project will be funded by a combination of CDBG and Library reserve funds.

Ms. Goodman-Hinnershitz stated that many programs depend on CDBG which is a fragile federal funding source that has been diminishing over the past years.

The committee meeting adjourned at 6:55 pm.

*Respectfully submitted by  
Bea Rivera, Legislative Aide and  
Linda Kelleher, CMC City Clerk*

### **FOLLOW UP ITEMS:**

1. Review and assess use of City and Authority funds to provide best benefit
2. Procurement Policy Update
3. RAWA Lease Amendment – October
4. Set Budget Summit Agenda
5. Review Act 47 Plan recommendations from Mr. Mann and Mr. Kersley
6. Meeting with DCED