



# *CITY COUNCIL*

## *Finance Committee*

### **Meeting Report Monday, May 20, 2013**

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

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

Ms. Reed called the Finance Committee meeting to order at 5:03 pm.

#### **REVIEW FINANCE REPORTS**

Mr. Zale reviewed the report on transfers, page 10 of the agenda packet. He stated that there are no abnormalities and that the ordinance to return \$2M from Trash and Recycling and \$400K from Liquid Fuels to the General Fund will be eligible for enactment at the May 28<sup>th</sup> regular meeting.

Mr. Zale reviewed the report on the General Fund, page 12 of the agenda packet. He stated that on the expenditure side the City has spent 33% of that budgeted. He noted that that percentage is without the MMO payment, which does not occur until November. The estimated MMO amount is \$9.9M.

Mr. Zale stated that on the revenue side, EIT revenue has increased by \$1.2M this year. He noted that the unbudgeted tax collection reimbursement of \$40,963 from Berks EIT will be booked in May. He stated that overall a surplus is expected.

Mr. Zale predicted that a yearend deficit could occur due to the projection for Police and Fire overtime to exceed the budget by approximately \$600K. He stated that legal fees are also over budget by \$295K for 2013 (related to Charter complaints). Overall expenditures are expected to exceed that budgeted by \$1.8M. However, a positive cash balance is expected at year end.

Mr. Waltman noted the need for Council and the Administration to identify an approach that will neutralize Act 73, which limits RAWA's contribution to the City.

Mr. Zale suggested reducing spending now to create a \$2M surplus which can be used to offset the predicted 2015 financial cliff.

Mr. Marmarou stated that annually the City under collects Per Capita revenue. He stated that although bills are mailed, the City collects what comes in but fails to undertake any collection activity. He stated that while we budget under \$100K annually, we should be collecting approximately \$260,000 annually.

Mr. Bembenick stated that he will address this issue with the School District as this is shared revenue. Mr. Zale noted that this \$15 annual tax is split with \$10 going to the School District and \$5 going to the City. He stated that the School District also pays a collection fee.

Ms. Reed questioned the City's ability to increase the amount of this tax. Ms. Kelleher stated that Per Capita is an Act 511 tax.

Ms. Goodman-Hinnershitz noted that this is a topic that is brought up regularly and she suggested prioritizing this issue with a timeline. She suggested evaluating the cost to collect this tax.

Mr. Waltman suggested adding the Per Capita tax collection into the system at various touch points during customer interaction, which should improve collection at no expense.

Mr. Washington stated that as the School District Finance Chair, he would be willing to discuss the collection of this tax.

Mr. Bembenick stated that the City's bond rating has slightly improved to a Baa2, which is the lowest investment grade rating.

Mr. Zale stated that to date, the City's head count is 581 fulltime employees, an increase of 9 employees, and 134 part-time employees, a decrease of 21 employees. He noted that public safety employees use 71% of the budget expenditures annually.

Mr. Zale noted that a local financial cliff is expected in 2015. He stated that the estimated deficit considers many variables such as increases in salaries, health care costs, pension expenses and property taxes. He noted that without a 5% property tax increase per year, the expected deficit grows by \$10M in 2015.

Mr. Waltman agreed that many variables are used to make this projection; however, he noted

that a PEL report in 1998 predicted the same cliff which City Council successfully avoided.

The committee discussed Police and Fire overtime. Mr. Bembenick stated that the new firefighters covered by the SAFER Grant are in the six month training period, which started in April. He stated that as these new firefighters will not be out of training until the fall, they will not help to offset Fire overtime in 2013.

#### **QUARTERLY PENSION REPORT**

Mr. Bembenick distributed the report. He stated that as of March 31<sup>st</sup>, the three pension funds have a total of \$163M. He noted that each plan is underfunded as follows: Officers and Employees 26%, Police 35% and Fire 17%. He stated that the City has 717 retirees and makes an average monthly payment of \$1,900 to each retiree.

Mr. Bembenick stated that the pension boards are going through an RFP process for actuarial services. He stated that a new actuarial study could positively or negatively impact the pension projections and impact the City's MMO payment.

Mr. Bembenick stated that all three pension funds underperform with a 5-7% return. He stated that the pension boards are exploring various options to improve the performance of the funds.

Mr. Bembenick stated that the Police Pension Board solicitor is retiring and the board is going through the RFP process to identify a new solicitor and a new financial advisor. He noted that the three pension boards have agreed to fund a new part-time employee to provide back-up and support to the pension administrator.

Mr. Waltman questioned the cost for the three pension boards to employ three solicitors, three actuaries and three financial advisors. He described the private sector defined contribution plan options and suggested that the three pension boards improve the performance of the pension funds.

Mr. Spencer provided an update of the State bill to amend Act 111.

Ms. Goodman-Hinnershitz stated that this is another topic that is brought up on a regular basis and she suggested that Council and the Administration develop a strategy to address this topic. She noted that every municipality in Pennsylvania shares this problem.

#### **LEGISLATIVE REVIEW**

Mr. Kersley described the proposed amendment the Fire Escrow Ordinance which will help the City recover some expenses to care for fire damaged properties, after the owner walks away from the property.

## **LAND VALUE TAX**

Mr. Lloyd stated that he is scheduled to make a presentation to the business community at a forum arranged by the Chamber on May 31<sup>st</sup> from 8-9 am at the Schmidt Center and he has also arranged a presentation to the Reading Berks Association of Realtors on June 6<sup>th</sup> at 10 am.

Ms. Goodman-Hinnershitz suggested that Mr. Lloyd develop a FAQ sheet covering the talking points of the LVT.

## **AUDITOR'S REPORT**

No update.

The meeting adjourned at approximately 5:55 pm.

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