

**Budget Review Meeting
Wednesday, October 15, 2014
Penn Room**

Attending: J. Waltman, F. Acosta, M. Goodman-Hinnershitz, D. Reed, C. Daubert, D. Sterner, S. Marmarou, C. Snyder, L. Kelleher, C. Younger, D. Pottiger, C. Zale, D. Cituk, M. Bembenick, V. Spencer, D. Miller, M. Setley, E. Schlegel

Mr. Waltman called the meeting to order at approximately 5:05 pm.

Reading Area Water Authority (RAWA)

Mr. Waltman recapped that the addendum to the water lease was enacted at the end of August and forwarded for the mayor's signature. He stated that the amount negotiated was meant as a baseline, not handcuffs, for the administration. He explained that RAWA was asked what lease payment they could make without requiring additional water rate increases and they stated that with those terms the lease payment could be \$8M annually.

Mr. Schlegel distributed a handout showing the 2015 contribution and the impact of the water rates as follows. The estimates are based on a 5/8" meter and water consumption of 4000 gallons a month. Mr. Setley noted that the water rate has an automatic cost of service increase of 3% annually.

	2014	2015	2016	2016	2016	2016
	Rate	Rate	Rate	Rate	Rate	Rate
Lease Payment		\$8M	\$9M	\$10M	\$11M	\$12M
Service Charge	\$17.53	\$18.58	\$19.46	\$20.33	\$21.04	\$26.73
Consumption	\$21.39	\$22.67	\$23.74	\$24.81	\$25.67	\$26.73
Monthly Water Bill	\$38.92	\$41.25	\$43.20	\$45.14	\$46.70	\$48.65
Additional Amt		\$ 2.34	\$ 4.28	\$ 6.23	\$ 7.78	\$ 9.73

Mr. Setley stated that the annual cost of service 3% increase applies only to water charges (consumption, service, etc) not to the sewer, solid waste and recycling rates.

Mr. Setley stated that any lease payment valued at \$8M and above will cause deficit spending and that RAWA can only absorb the \$8 payment for 2015. Beginning in 2016 the 3% annual cost of service increase will not be sufficient to cover the deficit spending; therefore the increase to the consumer will be higher.

Mr. Marmarou stated that the increased rates should be explained to people in this manner, as many people do not understand when the rate changes are explained with percentages.

Mr. Sterner asked the RAWA representatives what lease payment they are most comfortable with. Mr. Setley stated that RAWA is most comfortable with the \$8M payment; however, any payment is contingent on the valuation, which is due no later than October 31st. Mr. Setley stated that the increased payment will not be covered through debt financing. He stated that the \$8M annual payment will remain the same until 2020 when the CPI increase begins.

Mr. Waltman noted again that the \$8M figure was meant as a starting place and that the administration could negotiate with RAWA to increase the payment if they desire.

Mr. Sterner stated that he is more comfortable increasing the water rates, rather than the property taxes because water charges are paid by all users, not only those who own non-exempt properties.

Ms. Goodman-Hinnershitz thanked RAWA for explaining the rate increases in this manner. She noted that those who own non-exempt property are charged with either application.

Mr. Waltman requested that RAWA provide charge impacts for lower and higher consumption.

Mr. Setley expressed the belief that the valuation will come in over \$8M.

Ms. Goodman-Hinnershitz stated that Council wanted a conservative payment which would have minimum impact of the water customers.

Mr. Sterner noted that the 2016 Budget deficit will be more difficult to manage and he suggested considering a small property tax in 2015 to reduce the need for a larger increase to cover the 2016 deficit.

Mr. Sterner noted that the addendum to the RAWA lease agreement is still unexecuted.

Mr. Goodman-Hinnershitz agreed and questioned why the administration would include the \$8M figure in the 2015 budget when the document has not been properly executed.

Mr. Spencer stated that the agreement with RAWA and the valuation was his end goal since the beginning of 2014 when meetings about Act 73 began. He announced his intent to execute the lease agreement after the valuation is received and the amount is justified by the valuation and when the administration determines the correct amount of the water payment.

Mr. Spencer and the RAWA representatives left the meeting at this time.

Expenditure Review

- **Public Works**

Mr. Waltman questioned if the City's fleet services are being offered to other municipalities and agencies.

Ms. Snyder stated that they are not currently seeking new customers as Fleet still does not have the proper metrics. She also noted the need to improve supply inventory control. She stated that the Fleet Management system originally purchased was not useable and a new service will go into effect in January. She explained that the garage has the size and capacity to service more vehicles but additional customers will not be added until the metrics and operations are shored up.

Mr. Sterner questioned if Fleet plays a role in the purchase of vehicles. Ms. Snyder stated that the Fleet manager is involved in the decision making for vehicle purchases. She explained that vehicles are usually purchased through the State CoStar program. Mr. Bembenick explained the methods used to explore the purchase prices of vehicles.

Ms. Reed suggested using the bid process and comparing those prices to CoStar amounts so the City obtains the lowest price for the vehicles.

Mr. Bembenick stated that Traffic Engineering increases include approximately \$170K for ADA curb cuts. The remaining cost is included in the CDBG Action Plan.

Ms. Snyder explained that the City will be performing ADA modifications to City-owned property (curb cuts, buildings, etc) over the next 20 years, to keep the costs manageable. She stated that the curb cuts installed in the past no longer meet with ADA requirements and they must be re-done.

Mr. Waltman noted the need to consider taking a bond to cover the entire ADA project, due to the current low interest rates. He suggested analyzing the cost for both approaches.

Ms. Reed agreed, as additional changes in ADA regulations could occur if the City takes 20 years to perform the work.

Mr. Bembenick stated that salaries are not included in Traffic Engineering as staff was merged with other areas.

Mr. Bembenick stated that the Administration area includes engineering for the ADA work and the dam remediation. Ms. Snyder noted that the cost for the dam remediation could decrease if the City decides to remove dams. The State offers financial aid for dam removal, as they no longer favor dams.

Mr. Bembenick stated that salaries are not included in Engineering as staff was merged with other areas. He noted that one employee in Highways was moved to the Parks area. The Parks budget is generally flat, when compared to 2014.

Ms. Goodman-Hinnershitz and Ms. Reed suggested evaluating the City's ability to care for its parks, including those located in the out skirts and outside the City's boundaries. They stressed the need to discuss this issue. Ms. Snyder stated that this will also be an issue in the amended Recovery Plan.

Ms. Goodman-Hinnershitz stated that the Executive Director of the Rec Commission believes that the Rec Commission manages all City parkland but City Park; however, that is not true. She stated that while the Rec Commission took over the management of Egleman's baseball field, the City retains responsibility for Egleman's Park. Ms. Snyder stated that she will discuss this issue with the Executive Director of the Rec Commission.

Mr. Bembenick stated that the expenses for telephone charges moved from Public Property to IT in the 2015 budget. Ms. Snyder noted the need to analyze the number of cell phones currently in use and the people that carry City cell phones. She stated that it may be more cost effective to provide employees a reimbursement for using their personal cell phones.

- **Police Department**

Expenses in the Police Budget are mostly flat when compared to 2014 expenses. Ms. Snyder stated that overtime consumption in Police is less than that used in Fire. Ms.

Snyder was asked to compare Reading Police and Fire overtime with that expended in other 3rd Class-sized cities.

The police pension costs are greatly increased and those costs will continue to escalate.

Ms. Snyder was asked to review the Civilian salaries in Police Administration (\$85K for 1 FT and 1 PT employee).

Overall the police budget has increased by \$4.3M, largely due to contractual salary increases and pension costs.

- **Fire**

During review of the Fire budget, the reduction of \$216K in Suppression salaries was discussed and Ms. Snyder was asked to look more closely at the \$250K projected for overtime, as that amount is projected unrealistically low.

The dramatic increase in County dispatch charges was noted.

Budget Review Agenda

Ms. Kelleher stated that Monday's review meeting will include the Penn Square Properties, along with the Property Maintenance issue and the CD Budget. Tuesday's review meeting will cover the health care cost issue.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk