Budget Review Meeting
Wednesday, October 8, 2014
Penn Room

Attending: J. Waltman, F. Acosta, M. Goodman-Hinnershitz, C. Daubert, D. Sterner, S. Marmarou, C. Snyder, L. Kelleher, F. Lachat, D. Pottiger, C. Zale, D. Cituk, M. Bembenick, V. Spencer, E. Lloyd, P. Mulligan, G. Wegman

Mr. Acosta and Mr. Waltman called the meeting to order at approximately 5:14 pm.

Mr. Bembenick redistributed a copy of his Requests for Additional Spend document.

Reading Parking Authority (RPA)
Mr. Mulligan stated that the RPA agrees with the need to assist the City. However, he stated that the amount contributed will not fall on the backs of the customers through increases in rates and fines. He stated that the revenue required will be generated through technology improvements.

Dr. Waltman noted that in a previous conversation the contribution expressed was $4.4M; however, the budget includes a $6.4M contribution. He inquired about the change and how that contribution would impact RPA operations.

Dr. Wegman explained that the RPA sets aside money to cover capital repair needs which prevents the need to cover the capital repair costs through some financing mechanism. He stated that the capital repairs planned can be put off for a year or two. He expressed the belief that the contribution would be $5.5M.

Mr. Mulligan stated that the next repairs are slated for the Front and Walnut garage and that the repair work can be delayed. He explained that structural engineers regularly inspect the parking structures for stress and threats.

Dr. Wegman described the various technology upgrades that will replace the individual parking meters with kiosks. He expressed the belief that the contribution can be replaced through parking revenues.

Mr. Spencer questioned the inquiry by Mr. Waltman, as the issues under discussion were covered at a previous conversation between Council leadership and the mayor.

Mr. Waltman stated that the topics were raised in this setting to allow all members of Council to consider the issues. He also stated that in the original discussion the number

discussed was $4.4M; however during this discussion the number $5.5M was quoted and the number in the budget is $6.4M. He questioned the change and inquired if the RPA had the ability to increase their contribution to this level.

Dr. Wegman stated that the RPA board will consider the number used in the budget, which is $6.4M.

Mr. Waltman inquired about the available capacity at the parking facilities.

Mr. Spencer again inquired about Mr. Waltman's questioning of the RPA representatives, as the issue was previously discussed by Council leadership with the RPA representatives. He expressed the belief that the questioning was unnecessary and that Council leadership should instead inform the District Councilors about the discussion.

Mr. Waltman again noted the change in the number used in the previous discussion and the number within the budget.

Ms. Goodman-Hinnershitz stated that she is puzzled by the mayor's repeated statements about previous conversations held outside a meeting setting when all Councilors are present to consider the issues discussed this evening. She expressed the belief that open discussion allows good decision making. She thanked the RPA representatives for their willingness to participate in open discussion.

Mr. Spencer again expressed the belief that tonight's discussion is unnecessary as Council leadership should instead confer with the other members of Council.

Dr. Wegman stated that the RPA board will discuss the increased contribution and render a decision at their October 22nd meeting.

Mr. Waltman inquired if the contribution will prevent the RPA from attending to its capital needs and Mr. Sterner inquired about the impact the contribution will have on RPA operations.

Mr. Mulligan and Dr. Wegman explained that while the increased contribution will have some impact on operations; adjustments will be made which will allow the RPA to assist the City. However, they noted that their pockets are not as deep as the pockets of RAWA. They stated that if RAWA can contribute more, perhaps the RPA contribution can be decreased.

Mr. Mulligan noted that the contribution will not be provided in a lump sum, but in staggered monthly payments.

Ms. Goodman-Hinnershitz questioned the capacity used at the parking facilities. Mr. Mulligan stated that the majority of the facilities are used at near capacity; however, the capacity at the Chiarelli Garage is low due to the exit of C.N.A. and there is also unused capacity at the 2nd and Washington Garage.

Mr. Acosta recapped that the RPA will consider a contribution of $6.4M at their October 22nd meeting.

Expenditure Review

- **Mayor's Office**

The budget for this office is projected at the same level as 2014. The $37,500 for Contracted Services will allow an energy study and energy plan management for utility usage. Mr. Lloyd stated that City operated facilities are not hitting the state utility benchmarks. He stated that increases in utility rates must be countered through technology improvements that decrease the amount of utilities used.

Mr. Lloyd also noted the addition of IT costs to the office budget.

Mr. Lloyd explained that the increase in fringe benefits was caused by Mr. Denbowski's move into the office. Mr. Denbowski takes City health care and Mr. Murin had been covered by Medicare.

- **Council Office**

Expenses in the Council budget remain at 2014 levels, except for the addition of IT fees.

Ms. Kelleher questioned the inclusion of IT fees within the Council Office budget and within other areas. She noted that the past two IT reports show that the office consumes 10-11% of the overall IT services; however, the office is being charged approximately $80K for those services. She noted that the majority of the services the office uses are posting legislation, minutes and agendas to the website. She stated that she could control these expenses further if she had the ability to post the materials on the website rather than depending on the service provided by IT. She expressed the belief that this back charge inappropriately inflates departmental budgets.

Ms. Kelleher stated that she can understand indirect costs from Enterprise Funds; however, she questioned the extension of charge backs for service requests from other

General Fund areas, other than the use of other consumables such as cell phones, office supplies, gasoline, etc.

Mr. Waltman questioned the formula used to derive the charges used within the 2015 budget for IT services. Mr. Bembenick stated that he was unsure and that Mr. Tangredi would need to explain the formula used.

Ms. Kelleher stated that the office is being charged $7,000 for IT equipment. She questioned what new equipment the charge is covering. Mr. Bembenick stated that the charge is for the office's share of the equipment already in use.

Mr. Waltman and Ms. Goodman-Hinnershitz agreed with the concern expressed about the new allocation for IT services.

Ms. Snyder explained that IT services have a value and departments must consider the cost for the services requested. Ms. Kelleher stated that she and Ms. Katzenmoyer recently discussed a new password protected application that would store documents that Council needs to have available such as the collective bargaining agreements, legal opinions, MOUs, etc. She stated that currently documents are emailed to Councilors and Councilors are expected to devise a method to manage those documents. It would be better to have those documents available through an application on the City's website like the agenda packets for Council and the BPRC. She questioned if there would be a charge for IT assistance to create that application.

Ms. Kelleher expressed the belief that the need for new and improved IT applications is forever changing and expanding in ways that provide increased efficiency and streamlining operations and back charges for those services will, in effect, decrease departments ability to improve their performance, accessibility and efficiency.

Mr. Waltman noted the need to understand the formula used to allocate these back charges. He stated that while he understands the net need, he does not understand the new effect.

Mr. Cituk agreed that the charge back of IT services inappropriately inflates departmental budgets. He stated that if an area reduces its consumption of IT services, the area would be able to transfer the remaining amount allocated to cover other unassociated expenses. Mr. Bembenick disagreed, as he stated that the allocation for IT services will be reserved only for IT services, similar to allocations for salaries and fringe benefits.

Mr. Waltman noted the need for Council to understand the charge back of IT services along with the formula used to derive the back charges. He noted that the charge to the Council Office is greater than that of the Mayor, Managing Director and Administrative Services areas.

Ms. Goodman-Hinnershitz inquired if the management of the boards, authorities and commissions increases the Council Offices need for IT services. Ms. Kelleher replied that the management of the boards, authorities and commissions and related IT services is not as great as the services required for the management of Council business and general support to all City areas.

Mr. Acosta inquired why IT does not have an allocation for charge backs to IT, as IT departments always have the best equipment available.

Mr. Daubert stated that school districts are now pushing improved IT applications to increase efficiency faster than government. He noted that he has not used any paper in his classes this semester. He agrees with driving technology improvements to increase efficiency.

Mr. Waltman asked for IT charge backs to be added to the follow up topics.

- **Auditor's Office**

Mr. Cituk stated that his office budget expenditures are again within reasonable rates with no increases. He also questioned the IT back charges for his office.

- **Managing Director's Office**

Ms. Snyder stated that her budget eliminates one of the two part-time positions allocated in 2014. She explained that the Contracted Services covers the cost to draft the Comprehensive Plan, provided by a DCED Grant. She explained that the Dues line item covers the PML dues. She stated that the fringe benefit charge increased because First Energy no longer provides retiree health care coverage. She stated that she is currently weighing her health care options.

- **Administrative Services**

Mr. Bembenick stated that in the Administration area, his reduction in advertising expenses can be covered through unused funding in the salary line item. *(Note see last paragraph of the previous page)*

Mr. Bembenick explained that the increase in the health care costs is in part caused by the Cadillac Tax included in the Affordable Health Care Act. He explained that this tax

is applied to employers who offer plans that exceed the health care coverage offered by the federal government. He stated that some of the City's health plans are considered Gold Level under the Act. However, he noted the majority of the Gold Level plans are provided to retirees. He stated that the City's health plans provide less coverage than the County's health care plans and less than the plans offered by private businesses. He explained that the increases in the health care costs are driven by risk, experience (costs) and the Affordable Health Care Cadillac Tax.

Ms. Goodman-Hinnershitz pointed out that the Affordable Health Care Act is quite different than the Single Payer model supported by many people who reside in Berks County.

Mr. Bembenick stated that the Payroll personnel and Pension personnel are being relocated from the Accounting office to the Human Resources office. He also explained the increase in the ADP payroll preparation charge.

Mr. Bembenick stated that the increase in IT salaries was caused by the need to increase the potential salary of the Networks Administrator to attract a quality candidate.

Mr. Bembenick reported that the cost of City cell phones was moved from Public Works to Administrative Services. The charges include landlines and cell phones. There is an increase of $256K.

Mr. Acosta noted the need for the City to study who has a City provided cell phone and determine if there is a true need. He explained that his employer provides a $25 monthly reimbursement to those employees who are required to carry cell phones and the reimbursement covers telephone calls only. He expressed the belief that very few employees need to have cell phones with internet and phone abilities. He suggested moving to a more effective model.

Mr. Bembenick stated that the IT office shows the loan payment for the IT refresh done last year. He stated that the refresh was paid for with a four (4) year loan. The budget includes the purchase of some additional equipment.

Ms. Goodman-Hinnershitz stated that the IT area is reduced by $2.2M, charged out to other City offices.

Mr. Acosta questioned the lack of IT charge backs to the IT area, as IT areas generally have the newest and best equipment and consume the most services.

Mr. Bembenick stated that the CSC contains 11 employees, two of which are assigned to BPT billing and collection. Mr. Waltman noted the need to consider outsourcing this billing and collection, as it consistently underperforms.

Mr. Bembenick explained that the Human Resources office budget includes an allocation of $124K for management merit increases.

Mr. Waltman questioned the increase of 122% in the Human Resources office. Mr. Bembenick replied that the increase is caused by the relocation of the Payroll and Pension personnel along with the allocation for merit increases for management level employees.

Revenue Request Additional Spends
Mr. Bembenick stated that the EMS Care Vans were eliminated along with the inspection training for firefighters and the additional personnel in the Fire Marshall's office. The reductions bring the requests down to $1.69M.

Ms. Goodman-Hinnershitz thanked Public Works and Property Maintenance for repairing the damaged curbing on Maple Street and the maintenance situation at a property on Fairview Street.

Budget Review Agenda
Ms. Kelleher noted the need to define the agendas for the meetings scheduled for next week.

After discussion the group added a review of the Law and Human Relations Commission budgets to the agenda for Monday and RAWA to the agenda for Wednesday. The review of CD and Property Maintenance revenues, expenditures and overall performance will occur on October 20th, following the General Fund Public Hearing.

The next Budget Review Meeting is scheduled for Monday, October 13th from 5-6 pm at the COW meeting in the Council Office.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk