



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
October 27, 2014
5:00 P.M.

COUNCIL MEMBERS PRESENT:

D. Sterner, S. Marmarou, C. Daubert, M. Goodman-Hinnershitz, J. Waltman, F. Acosta, D. Reed

OTHERS PRESENT:

L. Kelleher, S. Katzenmoyer, G. Mann, H. Tangredi, C. Snyder, R. Johnson, M. Bembenick, C. Zale, D. Hoag, A. Morris, C. Younger

The Committee of the Whole meeting was called to order at 5:00 pm by Mr. Acosta.

I. Agenda Review

Ms. Kelleher distributed several items which were requested to be added to this evening's agenda:

- Introducing an ordinance adding public construction project labor stabilization agreement requirements
- Resolutions for appointments/reappointments
 - Appointing Walter Pawling to the Housing Authority
 - Appointing Julissa Espinal to the Water Authority
 - Reappointing Rebecca Acosta to the Housing Authority
 - Appointing William Cinfici to the Planning Commission
- Resolution authorizing the submittal of an application to PennVest for \$72,000,000 for the WWTP project

Mr. Spencer arrived at this time.

Mr. Acosta stated that there are members of the public who believe that he alone sets the Council rules. He suggested that other members read the rules. Mr. Daubert stated that he will read the rules this evening. Ms. Reed suggested that members take turns reading the rules. Council agreed.

Mr. Denbowski, Mr. Cituk, and Mr. Pottiger arrived at this time.

Council reviewed this evening's agenda including the following:

- Ordinance naming Our City Reading as the developer for the Penn Square Properties Project and authorizing the execution of the developer's agreement

Mr. Agudo arrived at this time.

Mr. Waltman questioned the financing behind the current proposal. He stated that mostly public monies are being used to finance the project. He noted the need to understand the funding and requested that the ordinance be tabled this evening. He stated that the current proposal has no concrete plans. He stated that he got the impression that Mr. Boscov feels that the funding is his and that the City should proceed with the project his way. He stated that this puts the City in a position of weakness and that the City needs to pursue other developers.

Ms. Goodman-Hinnershitz stated that she was unable to attend the meeting on October 21. She stated that she read the meeting summary and the developer's agreement. She questioned if the agreement reflected all the funding streams. She agreed with the need to table the ordinance to ensure the funding all fits into place. She stated that the funding issue must be addressed properly.

Ms. Reed stated that she concurs with Ms. Goodman-Hinnershitz. She stated that Ms. Goodman-Hinnershitz is very knowledgeable about funding issues.

Mr. Spencer stated that the funding has been discussed in the past. He reminded Council that the funding is tied to Our City Reading (OCR) and is not available to other developers. He stated that if OCR does not use the funds it will be allocated to another city. He stated that BEDI funds are no longer available.

Mr. Waltman noted the flaw in allowing only a few organizations access to funding. He stated that Mr. Boscov stated that the City must move forward using his plan. He stated that the Council recommendations were not considered. He noted the need for additional access to funds.

Mr. Spencer stated that a condition of using these funds is that they must be paid back. He stated that many developers cannot guarantee a payback. He stated that OCR has always paid the funds back and many times has done so earlier than planned. He reminded Council that there were only two responses to the RFP.

Mr. Waltman stated that Mr. Boscov used words like probably, maybe and hopefully during his presentation. He stated that these types of words do not translate into concrete plans. He stated that the two RFP responses were very different.

Mr. Spencer stated that the funding is needed to move the project forward.

Mr. Daubert stated that he understands Mr. Waltman's position. He expressed the belief that OCR is not leveraging the City but rather is assisting the City since the City does not have funds for development projects. He stated that he does not support tabling the ordinance but does understand Ms. Goodman-Hinnershitz's need for review.

Ms. Snyder questioned what information Council needed if the ordinance is tabled. She stated that this has been the topic of many discussions.

Mr. Waltman stated that Council's first action was not choosing the developer. He stated that Council had recommendations for the project which are not included in this agreement.

Mr. Sterner stated that Mr. Lowenstein addressed the timeline at the October 21 meeting. He stated that the project timeline will coordinate with the funding guidelines.

Ms. Reed stated that she is concerned with building occupancy and the marketing of available space. She stated that OCR has a history of completing projects that are not occupied such as the retail space at the 2nd and Washington garage. She stated that the City continues to own these buildings and they will continue to deteriorate if the project does not move forward.

Ms. Snyder explained that the first Council action authorized the Mayor to negotiate with OCR since OCR was chosen by the RFP committee for the project. She stated that this action is the result of the negotiations.

Mr. Waltman and Ms. Reed stated that Council's conditions are not included in the agreement. Ms. Snyder stated that all Council's conditions were discussed and are addressed in the agreement.

Mr. Acosta stated that Council has not seen a rendering of this project. He stated that Council must understand the project and the agreement. He stated that if Council votes to support the project they have no visual to understand the result.

Ms. Reed questioned if the Administration has seen a rendering. All present stated that they had not.

Ms. Snyder stated that the OCR project proposes to leave buildings one and two intact. She stated that the exteriors of buildings three, four, and five will depend on any structural issues.

Ms. Reed stated that the other proposal had more details. She stated that the uncertainty of this project is unprecedented and questioned how Council can be comfortable moving forward.

Mr. Spencer stated that OCR will maintain the architecture of the buildings and preserve the facades if possible. He stated that the project will not devastate the downtown and that the project is similar to the Harristown Development project in Harrisburg (Strawberry Square).

Mr. Acosta stated that the visual is missing.

Mr. Waltman again stated that OCR has sole access to the funding and that they are telling the City that if the project moves forward it must be under their terms. He noted the need for all to work together.

Mr. Acosta stated that the agreement stipulates that OCR controls the funds.

Mr. Agudo reminded all that the project must receive approvals from the Planning Commission and HARB as it moves forward. He stated that the PA Historical and Museum Commission must also review and approve the project. He stated that at this time there is much unknown about the project.

Ms. Goodman-Hinnershitz stated that federal funds come with stipulations and many times must be used in certain ways.

Ms. Reed reminded all about the Sovereign Plaza project. She stated that the Planning Commission requested many changes but the project resulted in dead space along S. 5th St. She stated that this creates safety issues and does not promote retail. She stated that in her past experience the requests by Planning will be ignored. She noted the need for strong urban planning.

Mr. Agudo stated that the City's best assurance is that the OCR agreement retains the City as building owner. He stated that the OCR funds will be used to finance phase one of the project for the first 18 months to work on buildings one and two. He stated that the City controls the lease and that these types of issues can be revisited throughout the process.

Mr. Waltman suggested that other cities have a roadmap for development. He questioned where Reading's roadmap was. He stated that many downtown projects are mismatched. He questioned why the City would want to own these buildings long-term.

Ms. Reed suggested that those working on projects in Ricktown will be disappointed to lose this funding. Mr. Spencer stated that only a few Ricktown projects remain. He stated that if the City retains ownership of the buildings it allows the City to have better control of tenants in the future. He reminded all that Santander (Sovereign) was also involved in that project and the resulting building.

Ms. Reed agreed but stated that the project was steered by OCR and that Mr. Boscov always appeared before the Planning Commission. Mr. Spencer recalled that Santander steered the design of the building.

Ms. Goodman-Hinnershitz noted the current condition of the mural on the Sovereign Plaza building.

Mr. Waltman stated that the downtown projects are fragmented and there is no concrete vision.

Mr. Acosta stated that the Administration must be mindful of funding options.

Mr. Daubert agreed and stated that a project that is not financially sound is not realistic.

Mr. Waltman noted the need to attract private developers.

Mr. Acosta suggested that Mr. Agudo arrange a walking tour of the downtown to explain the vision to Council. Mr. Agudo stated that he will make the arrangements. He stated that economic development is discussed in the draft Recovery Plan amendment. He noted the need for the City to take advantage of development opportunities. He noted the need to continue this conversation throughout the project and requested that Council vote to move forward.

Mr. Acosta questioned the need to table. Ms. Reed stated that Council's recommendations were ignored. Ms. Goodman-Hinnershitz noted her need for clarification on HUD funding.

Mr. Younger stated that the developer agreement can be amended if OCR and the City agree to the terms. He stated that the agreement also gives the City oversight.

Mr. Waltman questioned the \$1.8 million other funding source. He questioned if this was private funding. Mr. Acosta stated that it is collateral to be used as needed. Mr. Agudo explained that the Section 108 and BEDI funds can only be accessed by OCR. He stated that Mr. Boscov has indicated that he will use his personal funds if needed. He stated that he has approached HUD to determine if the costs the City has already incurred can be used as collateral. He is waiting to hear their determination.

Mr. Acosta questioned if the City has received copies of OCR's tax returns. Mr. Agudo stated that it has. He stated that the other funding source is supported by OCR. He stated that this guarantees the funding and he noted his hope that HUD will approve his request. He stated that this initiative will also assist the Main Street program.

Mr. Waltman stated that it is important to understand the funding. He suggested that there could be a better way to invest in the downtown.

Mr. Acosta agreed but reminded all that only OCR has access to these funds. He stated that the City has already invested in the project by buying the properties and reimbursing the Housing Authority for work performed. He stated that the City must continue to maintain the properties.

- Ordinance executing the Lease Agreement for the Reading Area Firefighters Museum

Ms. Snyder stated that the issues have been resolved and the City is comfortable executing the lease.

Mr. Acosta suggested putting the issues and responsibilities in writing for all parties. He noted the need to address cleanliness, keeping the doors closed, and ways to communicate.

Ms. Snyder stated that a first deputy chief has been designated as liaison.

Mr. Acosta offered to attend a meeting of the three parties with Mr. Daubert.

Ms. Snyder suggested moving the ordinance forward this evening.

Mr. Daubert stated that he supports the lease agreement. He stated that the Museum will begin strategic planning this weekend.

- Conditional Use decisions

Mr. Acosta stated that the first resolution approves the conditional use because the property was already in its current state when the current owner purchased it. The other two decisions deny the conditional use.

- HARB Certificate of Appropriateness for 733 Madison Ave

Ms. Kelleher explained that the decision approves in part and denies in part.

Mr. Acosta and Mr. Agudo left the meeting at this time.

II. Budget Review

- IT Charge backs

Mr. Waltman stated that the formula is unclear. Mr. Tangredi clarified that these funds will not be transferred between departments. He stated that they should have been presented as show backs to track IT expenses consumed by departments. He stated that the costs are

allocated by user based on consumption and are for reporting purposes only. He stated that this gives all departments operational awareness.

Mr. Waltman stated that the amounts were presented as charge backs during the budget process. Mr. Tangredi stated that as presented it appears that departmental budgets are increasing. He stated that there is no real affect on the budget.

Ms. Goodman-Hinnershitz questioned mitigating costs. She stated that the Council office also performs work for boards, authorities and commissions and suggested that this show back amount be separated. She stated that much of the IT work of the Council office is public information being added to the website. Mr. Tangredi stated that he can separate the amounts.

Mr. Waltman suggested that the information be presented differently at future budget reviews.

Mr. Sterner questioned if the rate/cost was the same for all. Mr. Tangredi stated that the rate changes as different departments use different personnel who earn different salaries.

Ms. Snyder reiterated that the show backs do not change spending. She stated that this show back gives all departments the chance to review their IT spending and make reductions as able. She stated that each department's needs are different.

Mr. Sterner noted the need for departments to have some control of these costs.

Mr. Tangredi stated that the service has already been consumed by the department. He stated that it will help employees determine if the IT service is necessary.

Ms. Goodman-Hinnershitz suggested that this may be the case with cell phones but not IT services.

- Cell phone costs

Mr. Tangredi explained that IT pays the cell phone bills. He distributed a report showing the number of cell phones in each department and the monthly and annual costs.

Ms. Snyder stated that City policy was set by individual departments in the past but that the City will be reviewing its policy.

Ms. Goodman-Hinnershitz agreed with the need for an updated policy.

Ms. Reed questioned if the City was reimbursed for the cost of the Redevelopment Authority cell phone. Mr. Bembenick stated that he would find out.

Ms. Reed noted that the Council office does not use City cell phones and instead use their personal cell phones.

Mr. Tangredi and Mr. Spencer left the meeting at this time.

- WWTP

Mr. Johnson stated that Ms. Hoag and Ms. Morris will review Fund 54 and Fund 55.

Ms. Hoag stated that all revenue reductions noted in Fund 54 are reflected as increases in Fund 55.

Mr. Waltman questioned if the upfront funds are due to rate stabilization efforts. Mr. Johnson stated that they are. Ms. Snyder stated that the separate funds prevent co-mingling with funding provided by the outside municipalities.

Ms. Hoag stated that expenses address overtime and large sanitary sewer system projects. She stated that the sewer fund continues to pay its charge backs based on the rates as calculated by Maximus.

Ms. Morris noted the increase in the cost of light and power at the WWTP and that the increase in medical and surgical supplies is due to the need to replace the AEDs.

Mr. Waltman questioned minor capital equipment. Mr. Johnson stated that it is any equipment or machinery.

Mr. Cituk questioned if the invoices for the two funds will be coded similarly for processing by accounting. Ms. Hoag stated that they would.

Mr. Waltman questioned if Mr. Cituk was comfortable with the two funds. Mr. Cituk stated that he is. He stated that 2015 will be the first full year using the two funds.

III. Executive Session

Mr. Waltman announced the need for an executive session to discuss pending litigation.

Council entered executive session at 6:31 pm and exited at 6:39 pm.

IV. Act 47 Recovery Plan Amendment

Mr. Mann stated that he requests that Council introduce the ordinance this evening. He distributed hard copies of the Plan amendment to Council.

Mr. Waltman requested detailed review beginning at the meeting on Thursday.

Mr. Acosta rejoined the meeting at this time.

Mr. Mann stated that, in summary, the amendment to the Recovery Plan contains ugly options. He stated that the City has made good progress and that its employees have made great sacrifices. He stated that HB 1773 requires Reading to exit Act 47 by 2019. He stated that budgets must remain in balance. He stated that at this point, the two biggest trends for Reading are the need to reduce the EIT rate and to address pension costs. He stated that the City cannot continue funding pensions at this level and increase current employee pay rates. He stated that the Plan amendment recommends pay freezes. He noted the need to continue to increase efficiencies.

Mr. Waltman noted the need for detailed discussions.

Mr. Mann stated that the amended plan also calls for property tax increases. He stated that the City can examine an increase to the LST. He stated that the State's distressed pension legislation would allow municipalities to enact a commuter tax outside Act 47 and that Reading almost qualifies as the pension funding is currently at 69.9%.

Mr. Waltman suggested that increased taxes not be enacted unless other issues are addressed.

Mr. Mann stated that the amended plan suggests wage reductions for police.

Mr. Acosta stated that Chief Heim just appeared before Council requesting additional funding for 2015. He expressed the belief that an increase in the LST will not generate enough income and that the same residents continue to pay more than their share. He agreed with Mr. Waltman that other issues also need to be addressed.

Mr. Waltman noted the need for the amended plan to include benchmarks and allow for market flexibility.

Mr. Mann stated that the amended plan addresses capital needs. He stated that the plan recommends the City use a portion of the EIT for capital expenses. He stated that this is a way for the City to address capital needs while weaning it off the revenue from the commuter EIT. He stated that pension and operating costs also need to be controlled. He stated that departments can always make a case for increased spending but that the City must live within its means.

Ms. Goodman-Hinnershitz expressed the belief that additional inter-governmental cooperation is needed for public safety.

Mr. Acosta expressed the belief that there is no communication and that cooperation will be difficult.

Mr. Waltman stated that the police department went from 215 officers to 168. He stated that the department continues to do a great job. He noted that if police vehicles are not replaced now it puts the officers at risk and increases the need for vehicles later. Mr. Mann agreed and noted the need for the City to prioritize spending.

Mr. Waltman noted the amount of unearned income of Reading residents. He stated that the City gets no revenue from this unearned income but that the residents require the same City services. He stated that it is unfair that these residents do not contribute to the needs of the City.

The meeting adjourned at approximately 7:00 pm.

*Respectfully Submitted by
Linda A. Kelleher, CMC, City Clerk*