

**December 15, 2014 FINANCE COMMITTEE MEETING
EXECUTIVE SUMMARY**

Agenda Item	Action
2013 External Audit Findings	PFM is requiring a corrections plan to be prepared and submitted to the Audit Committee by 2/28/15.
Admissions Tax	PFM suggests that the City should get out of the tax collection business and there is uncertainty about the City's ability to apply the tax to only large venues. The topic was dropped from further discussion.
Year End Surplus	A surplus of \$55K to \$1.5M is projected, which will eliminate the need to transfer the budgeted amount of \$1.5 from the Reserve.
Non-emergency Transport	This program will be monitored monthly and discontinued if it cannot be cost neutral or operate at a profit within 6 months.



CITY COUNCIL

Finance Committee

Meeting Report Monday, December 15, 2014

Committee Members Attending: M. Goodman-Hinnershitz, D. Reed

Others Attending: D. Cituk, C. Younger, C. Zale, L. Kelleher, M. Bembenick, C. Snyder, B. Rivera, D. Pottiger

Ms. Goodman-Hinnershitz called the Finance Committee meeting to order at approximately 5:10 pm.

I. Correction of 2013 External Audit Findings

Mr. Cituk stated that PFM has suggested an action plan be devised for resolving audit plans.

Mr. Bembenick reiterated that the Act 47 Plan specifies the three priorities that are to be resolved and that this plan is to be completed and issued to the Audit Committee by February 28, 2015. He stated that Mr. Cituk will be working with Herbein & Co. to develop the completion plan. This requirement is also listed in the Recovery Plan as AS04. He expressed the belief that this finding will be eliminated in the 2014 external audit.

Ms. Goodman-Hinnershitz asked if account reconciliation has commenced.

Mr. Pottiger responded that they are currently working on the GDA (General Disbursement Fund) reconciliation process. He explained that the City has approximately 20 accounts that require reconciliation and that the GDA is the most cumbersome and complicated.

Ms. Goodman-Hinnershitz inquired about the Grants Management Audit findings. She noted that all grant programs have reporting requirements and penalties apply if an organization does not meet the required terms.

Mr. Cituk explained that the majority of the grants included in this finding are related to the

CD Department and the correction was made in part due to a change in the draw down process. He expressed the belief that the finding will be eliminated in the 2014 external audit report.

F. Acosta and V. Spencer joined the meeting at this time. (5:15)

Mr. Cituk reiterated the Action Plan needed as per PFM suggestion for Mr. Acosta and Mr. Spencer as they entered after that was discussed.

II. Legislative Review

- Ordinance - authorizing an amendment of the 2014 Budget by transferring a total of \$50,000 from the Contingency Fund to the Law Department Budget line item for Special Counsel Contracted Services (01-12-25-4216) to cover additional legal costs associated with legal service providers. **(Law) Introduced at the December 8 regular meeting**

Mr. Bembenick stated that law has additional legal bills and that a \$50K transfer from the Contingency fund should cover the outstanding invoices. He asked Mr. Younger if that is accurate.

Mr. Younger responded that he is confident that amount should take care of the remaining legal bills coming in. He also stated that there are \$30K in charges from Ballard Spahr.

- Ordinance - authorizing an amendment of the 2014 Budget by transferring a total of \$360,000 from the Contingency Fund to the Fire Department Budget to be split between Suppression wages and EMS wages. **(Law) Introduced at the December 8 regular meeting**

Mr. Bembenick stated that this transfer in the amount of \$360,000 will cover EMS and Suppression wages, as per a Fire arbitration award.

- Ordinance - authorizing an appropriations transfer with the Department of Public Works, Division of Solid Waste and Recycling in the amount of \$51,790 from salaries to contracted services for temporary wages **(Public Works) Introduced at the December 8 regular meeting**

Mr. Bembenick stated that Recycling requires a transfer to cover the temporary wage costs. He stated that temporary wages were required to fill "slinger" slots for employees injured, short and long-term.

III. Amusement Tax Amendment

Ms. Snyder stated that this topic has been discussed at length and she questioned if the tax

can be applied to specific venue types.

Mr. Younger stated that he would research this as the courts have sided on both ends. The City can impose a tax and exemptions to that tax but that is where it becomes complex. It may be illegal to only apply the tax to specific venues.

Ms. Snyder stated that the City of York imposes an Admissions tax on events for more than 100 people and they do not exempt school districts. She stated that Easton's admissions tax is charged to all events and venues, including events held at churches. She stated that in our case, it may make more sense to impose an "impact fee", meaning that if an event requires additional policing, etc., a fee to cover the cost can be charged.

Mr. Cituk questioned the worth of the tax if the City would only be generating a small amount of revenue, as the collection of the tax will require additional staff work. He noted that PFM has already made the observation that the City should not be in the tax collection business.

Ms. Snyder agreed with Mr. Cituk and suggested that the discontinuing discussion of this topic.

IV. Review Finance Reports

Mr. Bembenick stated that two sets of financials were provided during the time in which the Finance Committee did not meet due to budget meetings. These financials were for the months of October and November. In the October financials, there was a surplus of \$6M shown; however, in the November financials, that number was reduced due primarily to November's debt service payments. He stated that due to a timing issue the financials at the end of November show a deficit; however, a year end surplus of \$55K to \$1.2M is expected. He noted that this projection does not include the use of \$1.5M from the reserve, which is included in the 2014 budget.

Mr. Zale stated that on the revenue side, the full projection for 2014 is less than budget by \$1.2M. There is concern with the low revenue generation from Codes and Fire; \$2.7M was budgeted. He stated that on the expenditures side, the City spent \$2M less than budget which continues to be a plus.

Mr. Zale stated that the month's ending cash flow is \$14.4M. Of all loans provided by the General Fund, the remaining balance for the trash, recycling and agency fund loans is \$250,000 outstanding and will be reimbursed by the end of the year. He noted that at the end of 2014 there will be approximately \$60-70K remaining in the Contingency Fund. He reiterated that as a surplus is expected the City may not need to transfer the \$1.5M from the reserve to close 2014.

He stated that the upgrade to the bond rating from Baa2 to Baa1 has saved the City approximately \$4 million.

He stated that the City's headcount has 27 less full-time employees and 37 less part-time employees than the budget allows which provides additional savings.

Ms. Goodman-Hinnershitz asked if the City has the tax rates posted on the website.

Mr. Bembenick responded that we do not currently have that information posted on the website but that he will instruct the webmaster to post the 2015 tax rates approved by Council.

Mr. Zale stated that tax information can always be obtained from the DCED website.

V. Update from the City Auditor

Mr. Pottiger stated that Mr. Sorel, project accountant, will be the final External Auditor RFP committee member to submit his review matrix. A meeting to discuss the submissions will be scheduled shortly.

Mr. Cituk noted his surprise that he was excluded from the review of the RFP submissions. He stated that although he is an elected official, he is not selecting an auditor to audit his office. He expressed the belief that he should be included in the review of the RFPs.

Mr. Cituk stated that transfers should be completed by early February. He stated that the only capital projects are the River Road Project and WWTP. However, the African American Museum is listed in the 2015 CIP. He stated that he is working to define an audit plan for 2015.

VI. Define Topics and Timelines for 2015

Ms. Goodman-Hinnershitz inquired about the process to educate the public on the potential end of the non-emergency transport service. She noted that some Reading residents depend on this service. She stated that the Fire Chief agreed to eliminate this service if it could not become profitable or break even within six months. Ms. Snyder stated that monthly updates will be provided beginning in January.

Ms. Snyder stated that there are shortcomings in the City's computerized accounting system that need to be addressed; however, additional funds to upgrade or purchase a new system would be required. The overall benefits and timing of the purchase of the new system is under discussion. Mr. Bembenick stated that the current system was purchased

approximately eight (8) years ago and while the system met the City's needs then it does not meet the City's current needs, for example, the current system does not provide project accounting.

Ms. Goodman-Hinnershitz inquired about forestry management. Ms. Snyder responded that the administration will be prepared to discuss this topic at a later time. Ms. Snyder stated that reports on delinquent collections will occur quarterly.

Ms. Goodman-Hinnershitz noted the need to continue to refine the lease agreements with organizations that use City owned facilities.

Ms. Snyder noted the need to finalize the defined contribution plan for new management and AFSCME employees. She stated that the RFP is currently being evaluated.

Ms. Goodman-Hinnershitz stated that as there are no other questions or comments the meeting is adjourned at 6:30pm.

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