



COMMITTEE of the WHOLE

CITY COUNCIL

MINUTES
May 16, 2016
6:00 P.M.

COUNCIL MEMBERS PRESENT:

S. Marmarou, M. Goodman-Hinnershitz, C Daubert, B. Twyman, D. Reed, J. Slifko, J. Waltman

OTHERS PRESENT:

L. Kelleher, T. Coleman, D. Cituk, C. Younger, W. Scott, C. Castner, G. Mann, C. Hess, N. Rivera, B. Murray, D. Pottiger, J. Encarnacion, R. Encarnacion, A. Palacios

The Committee of the Whole meeting was called to order at 6:04 pm by Mr. Waltman.

I. Act 47 re Revenue Report

Mr. Mann made a presentation on the performance of the City's revenues compared to the projections made in the Amended Act 47 Recovery Plan.

Mr. Mann reported that the City is currently 1/3 of the way through the five (5) year period now required by the amended Act 47 Act. He stated that as the City's advisor, PFM will be making a report to the DCED on the probability that the City will be prepared to either exit Act 47, obtain an extension or go into receivership. He explained that there are many factors that are considered to determine if a city can exit Act 47. The two considered by PFM are the City's structural stability and the City's financial contingency. For structural stability, PFM questions if the City can cover its expenses without dipping into the reserve. He stated that the City has been successfully covering its expenses without the use of the reserve or savings. For financial contingency, PFM questions if the City has an adequate financial reserve or savings account. He stated that the City has built a healthy reserve. He explained that the reserve can be used to pay down debt or cover capital expenditures, so the City's use of some of the reserve in 2016 for capital projects is allowable.

Mr. Mann stated that the projections in the Amended Act 47 Recovery Plan predict that the City needs to use a portion of the reserve at the end of each fiscal year beginning in 2015. However, that did not occur. The Plan predicts the use of the following reserve funds: \$3.1 in 2016, \$2.8 in 2017 and \$4.5 in 2018 to balance the budget. However historically, the City has

managed to build a healthy reserve over the past several years by having a surplus at the end of each budget year beginning in 2014 as the City's revenues performed better than expected. In 2014 the Plan predicted \$83.1M in revenue and the City collected \$2.1M more than predicted. That trend continued through 2015 which improves the City's position

Mr. Mann pointed out that the Plan increased the property taxes by a total of 2 mils over the five (5) year period. However, the City approved the 2 mil increase in 2016 which increases property tax revenue sooner than expected.

Mr. Mann noted that while the property tax base has decreased by 0.2%, the resident EIT tax collection has increased. The commuter EIT has remained relatively flat in comparison. He stated that the increase in resident EIT is unusual and he suggested that we do not necessarily have more people paying the EIT but our collector has become better at collecting from those currently paying. He explained that Act 32 required all counties to use one EIT collector which improved collection rates throughout the Commonwealth. He predicted that the increased EIT revenue will peak and then fall by an unknown amount.

Mr. Mann stated that the collection of the Real Estate Transfer tax has increased, which probably reflects the recovery of the housing market. He reported that the fees from the Rental Inspections has decreased, which is probably caused by staffing problems in Property Maintenance. The staffing decline has also decreased the annual CDBG reimbursement.

Mr. Mann reported that overall the City's revenues has exceeded the Plan's projections: 2013 \$82M projected and \$82M collected, 2014 \$83 projected and \$85M collected, 2015 \$88M projected and \$93M collected. Those outcomes suggest that the City will continue to collect more than the Plan projects. He noted that in 2019 the City will need to collect \$4.5M over the revenue projected to exit from Act 47. He stated that given the City's reduction in expenditures and increase in revenues that is achievable.

Mr. Waltman noted the hard work and tough decisions made by Council since the City entered in Act 47 in 2010. He stated that Council has also worked hard to match the annual budget with the Recovery Plan.

Ms. Goodman-Hinnershitz reminded the Administration that the Finance Committee requested several written reports for the Finance Committee meeting and those reports were not provided electronically before the meeting. Mr. Younger distributed copies of the Finance Reports. Mr. Pottiger stated that he missed supplying the report due to his vacation last week.

Mr. Waltman called for an executive session regarding personnel and litigation at 7:03. All members of the Administration left, with the exception of Mr. Scott, Mr. Younger and Mr. Coleman. The executive session concluded and the meeting adjourned at 7:50 pm.

Respectfully submitted by Linda A. Kelleher, CMC, City Clerk