



CITY COUNCIL

Finance Committee

Meeting Report Monday, August 15, 2016

Committee Members Attending: M. Goodman-Hinnershitz, B. Twyman, J. Slifko

Others Attending: J. Waltman, L. Kelleher, C. Younger, D. Cituk, D. Pottiger, J. Encarnacion, G. Steckman, P. Vasquez

Ms. Goodman-Hinnershitz called the meeting to order at approximately 5:04 pm.

I. PFM Act 47 Update

Mr. Steckman reported that Mr. Mann had jury duty was unable to attend. Ms. Kelleher was asked to make arrangements to have Mr. Mann at an upcoming session with Council to discuss the 2017 budget.

Mr. Steckman reported that the administration will be presenting an update to the Capital Improvement Plan to add approximately \$1.2M in projects that are either funded by new grants or made possible due to reduced costs for other projects. For example, money was saved on the City Hall roof project as the roof was repaired instead of replaced and the purchase of the breathing apparatus was covered with grant funding.

Ms. Goodman-Hinnershitz inquired how the administration will address the new federal regulations on overtime compensation. She noted that the cap was raised to \$47,476 and becomes effective on December 1, 2016.

Mr. Steckman stated that Ms. Encarnacion is currently working on this issue. He stated that the policy change will be made during the upcoming budget process. He stated that she is currently reviewing the classification of management employee positions and will be making recommendations for changes. He stated that any adjustments to salary line items and overtime projections will be covered in the budget presented to Council on October 1st.

Mr. Steckman explained that in the past employers assigned employees as management when they wanted to avoid overtime. The new federal legislation defines that a management employee is exempt from overtime if he/she has the ability to make executive decisions. He noted that many of those labeled as management in City Hall do not have the authority to make executive decisions. He explained that the payment of new overtime charges will not impact the PFM assigned salary cap.

Mr. Steckman noted that many management employees seek new jobs due to the long standing salary freeze. He noted that some employees had work and responsibility removed but no change in salary and some have taken on new responsibilities with no change in salary. He noted the need to make some salary adjustments.

II. Legislation Review

1. **Proposed Ordinance** - amending the City Code, Chapter 5 Administrative Code, Section 5-806 Fiscal Provisions to provide improved clarity by providing a new Section 807 for the Annual Budget and Capital Program, incorporating the Purchasing Policies currently identified as Section RE3117-005a-Ex A to Section 809, adding reserved sections for future use and renumbering Section 800 in its entirety, as attached in Exhibit A.

Ms. Kelleher explained that over the years Administrative Code Section 806 Fiscal Provisions has become jumbled and messy. The section contains duplicative language for appropriations, transfers, the General Fund and Capital Budgets, Awards of Contract, etc. She stated that she and Mr. Coleman prepared this draft ordinance.

Ms. Kelleher explained that when the first Council, under the Home Rule form of government, passed the Fiscal Code, the Purchasing Policies were not yet written and after they were written the policies were attached to the Code as an Exhibit, rather than placed within the Code. This amendment will incorporate the existing Purchasing Policies into the Administrative Code in its own section. The amendment also moves the budget (general fund and capital) into its own sections. She stated that the amendment cleans up duplicative language but makes no changes to policy or requirements.

Mr. Silkfo agreed that Section 806 was jumbled, messy and very difficult to understand. He agreed that this amendment will provide clarity.

2. **Ordinance** – authorizing the purchase of the East Reading Pool site

Mr. Steckman stated that he recently visited the site and found the location to be somewhat unusual. He stated that the City will negotiate with the Tax Claim Bureau and School District to purchase the property for a new splash park. He noted that they are also considering purchasing additional parcels to provide parking for the facility. He stated that this property would not be

best used for commercial or residential purposes. He stated that the administration is currently double checking the numbers and working to identify grant funding to reduce the expenses.

Mr. Steckman stated that the pool is an attractive nuisance that needs to be corrected. He stated that using the parcel for a splash park is more economical than operating a municipal pool.

Mr. Slifko noted the need for the administration to consider the entire universe of development expenses including the cost of ongoing maintenance for the splash park. He expressed the belief that this site may be better suited for parking or some other use that support the neighborhood. He suggested that a splash park may be better suited for Pandora Park.

Mr. Twyman agreed that all options should be considered including the best location for a splash park. He stated that Neversink Playground may be a better fit for a splash park.

Mr. Steckman assured the committee that the administration is considering all options and aspects carefully.

Ms. Goodman-Hinnershitz explained how this site provides benefit to the East Reading community. She agreed that the administration needs to consider sustaining the splash park moving forward, as the City already struggles to maintain other parks and buildings. She explained that Perkiomen Avenue divides East Reading into north and south communities and that many of those residing on the southern portion do not visit Pandora Park due to difficulties in crossing Perkiomen Avenue. She also noted that Neversink Playground is in need of maintenance. She stated that the park is heavily used and under maintained.

Mr. Twyman suggested that the administration consider using 10th and South for the splash park, as it too is under maintained and relied on by the community.

Mr. Steckman stated that East Reading area is very dense and heavily developed and that these park and recreation facilities provide green space and recreation opportunities. He also agreed that heavily traveled streets create barriers. He noted that some of the funding for the splash park may be available from completed capital projects that came in below the projected budget. For example, the City saved money by purchasing a new air conditioning unit for the Northeast Branch library, rather than repairing the 40 year old unit.

Mr. Steckman explained that the East Reading has had access to the pool as a summer recreation opportunity for many years and that the splash park will be a welcome update. Ms. Goodman-Hinnershitz agreed and noted that the splash park may also attract people from other areas.

Mr. Slifko reiterated that the administration needs to consider all options and the cost of ongoing maintenance for the splash park.

3. **Ordinance** – amending the 2016 budget by adding the PA DCNR Reimbursement Grant for the Keffer Park Playground
4. **Ordinance** – amending the 2016 budget by adding the PA DCNR Reimbursement Grant for the 11th & Pike Playground Phase II Rehabilitation Project.
5. **Ordinance** – amending the 2016 budget by adding the PA DCNR Reimbursement Grant for the Pendra Park Playground Rehabilitation Project.

Mr. Steckman stated that these budget amendments will add unbudgeted projects to the 2016 budget so they can be entered into the USL system and tracked which will eliminate one of the repeat external audit findings. He stated that more information about these projects will be provided by email as it becomes available.

III. Update on 2015 External Audit and Timelines to Correct 2014 External Audit Findings

Mr. Cituk stated that he confirmed the schedule with Mr. Turtell from Herbein. He explained that although the audit is again being presented well past the June 30th Charter deadline, it is being completed before the State's September 30th deadline.

III. Update:

- *Berks EIT re: EIT Collection (Act 32), LST, Per Capita, BPT*

Mr. Steckman stated that the RFP for the collection of BPT, LST and Per Capita is out. He stated that the administration will also be putting an RFP out for the auditing of BPT returns, as the City does not have sufficient staffing to perform this task. He explained that BPT is based on gross revenue, not net income. He explained that those who inspect commercial properties will be directed to look for the Business License when they are performing inspections.

Mr. Waltman thanked Mr. Steckman for making this change as BPT revenue is greatly under collected. He noted various other breaks that have existed such as issuing housing permits without checking for zoning permits or business licenses.

Mr. Cituk inquired about the administration's purview on the collection of the Per Capita Tax and the increase in the City's portion of the Per Capita tax. He stated that many other municipalities see this as a nuisance tax and repeal it.

Mr. Steckman stated that he would prefer to properly collect this tax before recommending that the tax should be repealed. He noted that repealing this tax would create a \$200K budget gap. He stated that assigning the collection of this tax to Berks EIT was an error as they do not have the capability to properly collect this tax.

- *Pension Reform*

Mr. Slifko stated that he has been working with the local pension reform work group organized through the Chamber. He stated that it appears that HB 114 is dead, as the House, Senate and Governor seem unwilling to move the legislation forward. HB 114 would have addressed the pension systems for uniformed personnel. Municipalities may already move new employees into a locally created retirement system, apart from the standard pension.

Mr. Waltman reminded the group that he predicted this outcome as it appears that the State continues to be unwilling to take the right corrective steps due to the lack political will, the lack of critical information and influence from various lobby groups. He noted the need for State and local officials to consider the overall benefits that a 401K provides. He explained that the pension payment freezes at retirement and does not grow; however, a properly invested 401K will continue to grow after disbursements begin.

Mr. Steckman stated that the administration is working to develop a hybrid 401K type plan for new employees and they are considering changes to existing employee plans by increasing the required contribution and lessening the payout.

- *Healthcare Costs*

Mr. Steckman stated that an audit of retirees using the City's healthcare was conducted. Through the audit they discovered that 27 retirees were not being properly billed for their contribution and eight (8) others were overcharged. Corrections are being made.

Mr. Steckman reported that the City is obtaining information on the healthcare coverage from some organizations that have employed retirees. The available plans will be reviewed and if they are considered comparable to the plan provided to City employees, the City will have the arbiter evaluate the plan offered and determine if the retiree is no longer eligible for City coverage.

IV. Review Finance Reports

Ms. Goodman-Hinnershitz asked Mr. Pottiger to highlight the reports that were provided electronically and distributed at the meeting. She thanked him for sending the reports electronically before the meeting.

Mr. Waltman noted the increase in the Real Estate Transfer Tax. Mr. Steckman agreed that real estate sales have increased in 2016. He described his experience searching for a residential property within Reading and noted that the market is brisk. He also described the price differentials within various neighborhoods.

Mr. Marmarou expressed the belief that the sales prices for real estate in the College Heights area have fallen over the past few years. Mr. Steckman stated that often reduced sales prices occur when property improvements are not made by the current owner. Ms. Kelleher noted that the

sales prices in this neighborhood have been severely impacted by the number of foreclosures in the area.

Mr. Steckman stated that the administration is beginning to prepare the 2017 General Fund Budget by reviewing revenues. He stated that he is expecting no change in the Parking Authority's contribution, although their revenues and expenses have not performed according to plan.

Mr. Slifko noted the need to carefully decide which issues to bring to the attention of our State legislators.

Mr. Waltman agreed and expressed the belief that it may be easier to convince them to consider allowing the use of the Commuter Tax to cover costs related to public safety and capital projects. He stated that by the end of 2018 all of the revenue generated from the Commuter Tax will be funding capital projects.

Mr. Twyman inquired about the City's bond rating. Mr. Steckman explained that the administration is considering the refunding of some bonds which will save a total of \$3.6M or \$200-300K annually. The refunding will not extend the terms of the bonds. He stated that he is unsure how that will impact the bond rating.

The group discussed obtaining aid from the PA Municipal League (PML) on City initiatives. Mr. Steckman explained the purpose and organization of the PML. He noted that their annual conference is being held at the Lancaster Marriott October 4th through 6th.

V. Update from City Auditor

Mr. Cituk stated that he recently reviewed the base pay for all employees and all are correct. He stated that he will distribute his semi-annual report on the capital project at the WWTP next month.

Mr. Slifko suggested that the Auditor and Accounting areas make personnel requests when they submit their budgets. He expressed the belief that improvements in the functionality of these areas will save revenue.

Mr. Steckman stated that due to a recent resignation, the City has hired a CPA to replace the current Accounting Division Manager. He stated that although there is a hiring freeze he is considering Mr. Cituk's request to replace the Audit Coordinator position.

Mr. Steckman expressed the belief that the salary freeze has been in place for too long for management employees, which is causing these employees to seek other employment opportunities. He expressed the belief that collective bargaining units have received more

increases than management employees. He noted that when openings occur new employees are hired at higher salaries than those employees who have been loyal. He stated that he will be having a conversation with Mr. Mann about modifying the Salary Cap due to its numerous flaws.

Ms. Goodman-Hinnershitz adjourned the meeting at 7:04 pm.

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